	Sch24	Indonesia	Rp3100	Philippines	Pso40
	Din0.700	Iran	Rls210	Poland	Zl 9,000
	BFr55	Israel	Shk3.50	Portugal	Esc150
	C$3.00	Italy	L2000	Qatar	QR8.00
rk	DKr12.00	Jordan	Fils1000	S.Arabia	SR7.00
	E£3.25	Kuwait	Fils.500	Singapore	S$4.10
	FM8.50	Lebanon	L£400.00	Spain	Pta165
	FFr7.50	Lux	LFr55	Sweden	SKr12
ny	DM2.60	Malaysia	M$4.25	Switz	SFr2.50
	Dr150	Morocco	Dh6.00	Thailand	Bt50
ong	HK$12	Neth	Fl 3.25	Tunisia	Din0.850
y	Ft107	Nigeria	Naira10	Turkey	L3400
	IKr160	Norway	NKr12.00	UAE	Dh7.00
	Rs15	Oman	OR1		

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

No. 31,164

Monday June 4 1990

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CHINA
Tianenmen Square one year on
Page 16

...rld News

...ach crash ...ar Paris ...lls British ...urists

...en British tourists were ... and 22 seriously hurt ... a tyre on their dou-... ecker coach blew out and ... it careening off a motor-... at Joigny, south of Paris.

...king crackdown

...e and troops patrolled ...ng, snuffing out isolated ...ests on the anniversary ... st year's bloody military ...kdown. In Hong Kong at ... 100,000 people marched ...ieve for the dead of Tian-...en Square. Page 16

...ter assurance

... Republican Army mur-... of two British soldiers ... two Australian lawyers ...aken for off-duty service-... *will have no effect on* ...ress towards talks about ...hern Ireland's future, UK ...rnment spokesman said. ... 9: IRA shift, Page 6

...rnalist freed

... Indian army, which had ...rst denied any involve-... t, freed Kashmiri journal-... Yusuf Jameel after holding ... for nearly 30 hours.

...n olive branch

... Prime Minister Margaret ...tcher said Iran had offered ... olive branch" over the ...hdie affair and raised the ...ibility of restoring diplo-...ic relations. Page 9

...ird World plea

...en developing nations ...d a three-day summit in ...la Lumpur with calls for ... money to help Third ...d nations repay debts.

...lgarian mystery

...arian army officers called ...he resignation of Defence ...ister Dobri Djurov after ...fficer shot an opposition ...ist, latest in a series of ...terious pre-election deaths

...ndela's mission

...on Mandela begins his ... extensive foreign tour ... travelling through ... Europe and America.

...g suffers stroke

...way's King Olav, at 86 the ...d's oldest reigning mon-... was struggling for his ... after a stroke.

...tion on forests

...il's government, under ...sure to save the dwindling ...zon rain forest, will use ...rmed forces to combat ille-... burning and logging.

...gerian miners die

...ash flood inside a zinc and ... mine at Ain Azel in east-... Algeria killed at least 19 ...ers 1,050ft below ground.

...clear ban sought

...N delegation seeking a ...lear-free zone in the Middle ... began a two-day visit to ...el, reportedly the only ...ntry in the region with ...mic weapons.

...berians flee

...es and children of Liberian ...ters fled Monrovia and resi-... complained of food short-... and rising crime as the ... awaited a rebel attack ...ed at overthrowing Presi-... Samuel Doe.

...e party is over

... Social Democrat Party, ...nched in 1981 to "break the ...ld" of British politics, is ... e disbanded. Its leader, ...d Owen, said: "This is a ... day." Page 9

...eek visitor

...ne Minister Constantine ...otakis left for the first offi-... visit to the US by a Greek ...mier in 26 years.

...ench derby winner

...lid Abdullah's Sanglamore, ...ned by Roger Charlton in ...gland and ridden by Irish ...ey Pat Eddery won the ... du Jockey Club (the ...nch Derby) at Chantilly.

Business Summary

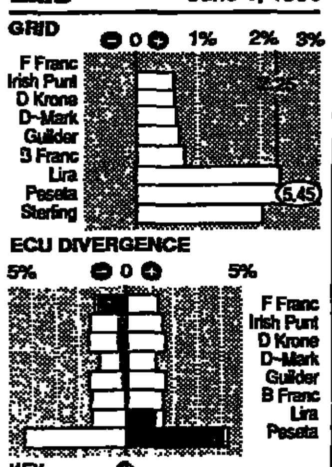
Manville case reopened by two judges in New York

Two New York judges, concerned with the slow pace of compensation to asbestos victims, have reopened proceedings under which Manville, the US company crippled by asbestos-related health suits, emerged from bankruptcy two years ago.

Their action is seen as an *important precedent in* bankruptcy cases, since this is thought to be the first time a large company's bankruptcy reorganisation plan could be revamped years after being negotiated. *Page 16*

EUROPEAN Monetary System: Pressure increased on the EMS last week, prompting intervention from the Bank of Italy and Bank of Spain to stem the rise of their individual currencies. The Bank of Italy bought large amounts of French francs, plus D-Marks and Ecu's as the lira hit its maximum *allowed value against the* weakest placed franc. The Bank of France also bought francs, against the lira, but on a much smaller scale. Intervention by the Bank of Spain to limit the peseta's rise involved purchases of dollars.

EMS June 1, 1990



The chart shows the constraints on EMS exchange rates. The upper grid, based on the system's weakest currency, defines the cross-rates from which only the peseta may move by more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (Ecu), itself derived from a basket of currencies.

CORONA, Canadian resources group, plans to raise its share-exchange bid for Stikine Resources, Vancouver gold exploration company, from just over C$60 ($50.84) a share to $75.69, or $257m. Page 20

KERRY PACKER'S, Consolidated Press Holdings, of Australia, has reached agreement with Bond Media over a recapitalisation of the Bond Corporation unit, giving Packer control of the Channel Nine television network. Page 20

BANCO CENTRAL, of Spain, has fully resold 12 per cent of its stock it repurchased from unwanted suitor Cartera Central, Alfonso Escamez, chairman said. Page 21

HONG KONG is to extend maturities of bills issued under its Exchange Fund bills programme from 91 days to up to 12 months in a decision seen by bankers as a way to bolster the capital markets. Page 21

GATOIL: Court-appointed administrators of the troubled Swiss oil company, have accepted a takeover offer worth more than SFr200m ($140.84m) from Swiss-Libyan controlled Tamoil. Page 20

NCNB, the US super-regional banking group, will strengthen its lead in the Texas banking market with the purchase of nine of the troubled National Bancshares' 12 banks for $59m. Page 18

Bush faces Congress threat to block trade deal unless Lithuania sanctions are eased

Summit promises era of trust

By Peter Riddell and Robert Mauthner in Washington

PRESIDENT George Bush and President Mikhail Gorbachev yesterday pledged to seek a more co-operative relationship in spite of admitted differences over Lithuania and the future of Germany.

After four days of summit *talks both leaders* expressed effusive enthusiasm for each other and their ability to work together. They agreed to meet more regularly, perhaps once a year on a more informal basis.

Underlining their warmer relationship, Mr Bush said the US was "not trying to deal from strength," while Mr Gorbachev stressed that "to assume that one of us can dictate to the other is absurd."

A feature of the summit was the willingness of both leaders to air their disagreements in public without any fear that this would undermine their new-found mutual trust. Without resolving their differences, both the US and the Soviet Union put forward fresh ideas on how to solve the external and security aspects of the unification of Germany.

These will now be taken forward by their foreign ministers at a meeting with Mr Hans-Dietrich Genscher, the West German *Foreign Minister*, in Copenhagen later this week.

The main concrete results of the summit are the signing of a treaty virtually eliminating both countries' stockpiles of chemical weapons and a framework agreement on reducing strategic nuclear weapons (Start), as well as a host of commercial and cultural accords.

However, important differences must be resolved before a Start treaty can be signed towards the end of this year or current negotiations on reducing conventional forces in Europe can be completed.

President Bush's desire to *offer public support for* Mr Gorbachev and his reform programme was underlined by his willingness to sign a trade agreement despite warnings by US congressional leaders that it would not be approved until Moscow eases its sanctions on Lithuania.

Mr Bush yesterday backed the treaty as being "in the best interests of the US" and sought to make its approval dependent solely on the enactment by the Soviet parliament of a law liberalising emigration. He treated the Lithuanian issue separately, describing it as "one of the thorns in the side of an overall relationship," while repeating his support for the rights of self-determination of the Baltic peoples.

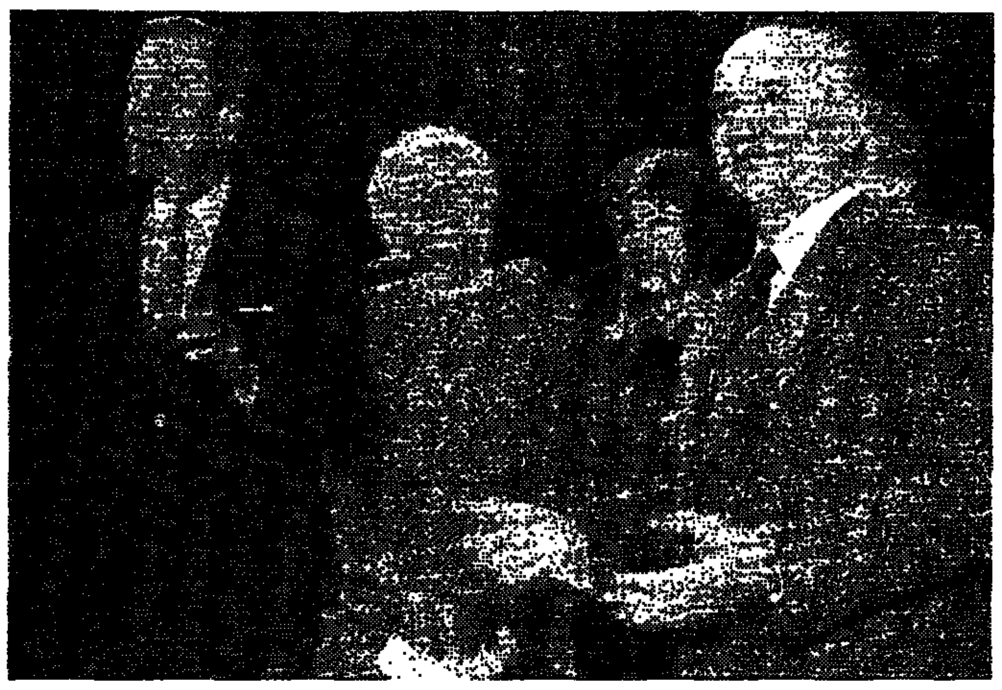
President Gorbachev warned that unless Israel gave assurance that Jewish migrants from the Soviet Union would not be allowed to settle in the occupied territories, he might *re-consider the issuing of exit* permits.

On Germany, there continued to be disagreement over whether a unified state should be in Nato, but both leaders discussed ways of providing assurances that unification would not threaten the security interests of the Soviet Union.

Mr Baker confirmed that the US had put forward a nine-point plan about the future security approach of Nato and a unified Germany, while he *disclosed that the Soviet Union* had suggested "exploring the possibility of some sort of agreement between the Nato alliance and the Warsaw Pact."

During yesterday's press conference, *Mr Gorbachev* was reminded by a question from a Soviet reporter – and to the Soviet leader's evident displeasure – of his political problems at home, and in particular of last week's election of Mr Boris Yeltsin as president of the Russian Republic.

Mr Gorbachev warned Mr *Yeltsin against engaging in* "a political game for him to hold high office," accusing him of having changed his views on some fundamental political issues. Mr Bush and other US *leaders have remained* notably silent about Mr Yeltsin. This is in contrast with the American media and many commentators who have highlighted his electoral victory.



Presidents Bush (left) and Gorbachev with their wives during a Camp David interval

INSIDE

- Soviet defence chief raises prospect of volunteer army. Page 3
- Unification issue eludes breakthrough. Page 4
- Key differences slow progress on nuclear arms treaty. Page 4
- Pitfalls remain on path to perfect trade relations. Page 4
- The Germans will decide. Page 14

Adviser drafts alternative to Ryzhkov plan

By Quentin Peel in Moscow

SOVIET President Mikhail Gorbachev's personal economic adviser has drawn up a plan of immediate radical measures to begin the process of transformation to a market economy on the Soviet leader's return from the Washington summit.

The plan amounts to a complete alternative to the economic reform package presented by Mr Nikolai Ryzhkov, *the Prime Minister, to the Soviet* parliament and facing probable rejection by the deputies this week.

The Ryzhkov plan is for drastic price increases, starting with a tripling in the bread-price, but only step-by-step institutional change.

Professor Nikolai Petrakov, one of three personal aides to the Soviet president, spelt out his programme in an interview with the Financial Times, insisting that it was simply his advice to Mr Gorbachev. He said there were three immediate measures which the Soviet leader could and should enact on his return. They would:

- **Create the conditions for competition, including "de-monopolisation" of the state sector, abolition of industrial ministries, and selling shares in state enterprises.**
- **Order further emergency cuts in budget spending, to reduce state investments.**
- **Begin the radical reform of the banking system, making the central *bank independent of government, and* putting all other banks on a commercial basis.**

At the same time, he wants to include measures to stimulate the creation of small businesses and promote a wider property market, to create further competition, and provide another outlet to invest the savings of ordinary people.

His plan amounts to a reversal of the Ryzhkov package, because only once those institutional reforms were in place would he introduce price reforms. He would freeze the prices of a few dozen basic foods and consumer goods and free all other prices.

The Ryzhkov plan provides for the virtual doubling of most controlled prices by government order, the tripling of the bread price, and only gradual institutional reforms to carry out the transition to a market.

Mr Petrakov added his name to the string of distinguished Soviet economists who have virtually denounced the Ryzhkov plan. *He said the programme did no more than raise prices,* without liberalising them, and failed to order any concrete steps for transition to a market economy.

"First of all, it is necessary to create *conditions for competition. The soul of* the market is competition," Mr Petrakov said.

"That is why we need to introduce de-monopolisation measures. I think that the branch [industrial] ministries should be abolished, and stock-holding companies should be created."

He suggested that a committee on state property could be set up immediately to decide how to transform big state enterprises into joint stock companies. The programme would also involve the creation of a share and securities market. Stocks could be sold to enterprises, private citizens, banks and foreign partners.

The process of creating joint-stock companies should begin immediately, and coincide with the creation of a *securities market. Mr Petrakov said* 2,200 big state enterprises could be turned into joint stock companies before the end of the year.

He said that under his plan the price of bread would not be increased on *July 1, as proposed by the Government,* but would be frozen, as would the the price of "a few dozen basic foods and consumer goods. Other prices should be set free, and turned into market prices."

He said the programme could be implemented by the decrees of the president, but admitted that popular reaction was unpredictable.

Western allies poised to relax curbs on exports of technology

By William Dawkins in Paris

WESTERN allies are poised to give the go-ahead to reduced *export curbs on the sensitive* technology needed by Eastern European countries to rebuild their economies.

Diplomats are optimistic that a high-level meeting this week of CoCom, the 17-nation Co-ordinating Committee for Multilateral Export Controls, will agree to ease controls on exports of personal and mainframe computers, some telecommunications equipment and sophisticated machine tools.

This is expected to be the first step towards the creation, possibly by the end of this year, of the UK-inspired idea of a core list of a third to a half of the 120 industrial goods currently vetted by CoCom.

It would be the biggest *reform in the history* of the organisation, founded 41 years ago to stop sales of militarily useful technology to the Soviet Union and its Warsaw pact allies, a role which it has been struggling to change in line with the east's political reforms.

The main relaxations likely during the meeting on Wednesday and Thursday would not take effect until August at the earliest, but the session will also consider making an instant political gesture to the east by immediately abolishing controls on 20 to 30 goods of little strategic or commercial value, such as floating docks and redundant rocket fuel chemicals.

Outline agreements have been hammered out in advance by late-night talks at CoCom's Paris headquarters. They propose that the east should be allowed to buy 32-bit personal computers, based on the Intel 80-386 microprocessor industry standard. These are twice as powerful and more than five *times faster* than the 16-bit machines that can now be exported.

The meeting will be asked to allow individual CoCom members to clear exports of older mainframes *without seeking* the rest of the group's approval, as they have to at present.

The outline accord on machine tools would double the accuracy of permitted equipment and double the power of the computers that control them.

CoCom members will also consider a compromise to let the east buy more western telecommunications equipment. This is the most sensitive area because its great military value. This would allow the free sale of digital packet switches and fibre optics to countries believed capable of controlling the re-export of sensitive equipment to the Soviet Union.

Hungary, Poland and Czechoslovakia are the most likely for such favourable treatment. There would also be a less substantial easing of controls on other countries such as the Soviet Union.

A small opening, Page 14; Gorbachev in Silicon Valley, Page 16

Grand Jury to examine link between Iraqi banker and BNL

By Alan Friedman in New York and Lionel Barber in Washington

A *SENIOR director* of the central bank of Iraq is being investigated by a US Grand Jury in Atlanta in connection with possible bank fraud, kickbacks and money laundering *charges stemming from last* year's scandal over $3bn of improper loans made to Iraq by the Atlanta branch of Banca Nazionale del Lavoro (BNL).

The Grand Jury, which has yet to bring indictments in the BNL case, has heard testimony claiming that Mr Sadik Taha, a Baghdad-based director general of the central bank in charge of loans, played a key role in the BNL affair.

The US State Department, however, is understood to be worried about the implications of bringing any indictment against an Iraqi government official and may seek to stop the Grand Jury from bringing criminal charges.

The Grand Jury has heard from witnesses who were directly involved in the BNL affair. Their testimony coupled with evidence gathered by investigators in Washington and Rome have established that:

- *Mr Taha held a series of* meetings in Washington, Baghdad and London to organise and sign $3bn of letters of credit and medium-term loans that were not authorised by BNL.
- That the central bank official liaised with officials of Iraq's Ministry of Industry and Military Production in order to organise payment for exporters in the UK and elsewhere in Europe who were shipping goods to Iraq believed by Western intelligence to have military application.

Up to $1bn of the unauthorised BNL Iraqi loans is believed to have gone towards the purchase by Baghdad of militarily useful civilian equipment and technologies that are *part of Iraq's effort to develop* a range of conventional weaponry as well as chemical and nuclear-tipped missiles.

The US investigation has learned of Mr Taha's frequent meetings and bank dealings with Mr Christopher Drogoul, the former manager of the BNL Atlanta branch who is himself facing a possible indictment by the Grand Jury.

Mr Taha is said to have signed two BNL loans in 1989 totalling $1.75bn that bore only

Continued on Page 16

...ONTENTS

...E MONDAY INTERVIEW

As a screen idol and Hollywood power broker, Charlton Heston is the closest thing America has to a god But his conservative views have isolated him in an industry he says has become 99 per cent left wing
Page 34

FT SURVEYS THIS WEEK

European Investment Locations

With the approach of 1992, more companies, in and outside the EC, re-examine their location strategies

■ TODAY:
Export Finance: new markets open up as national barriers start to tumble down

■ TUESDAY:
New South Wales: bold reforms are planned, but the toll begins to tell
European Investment Locations (see panel, left)

■ WEDNESDAY:
Executive Cars: a price war looms in the showrooms.

■ FRIDAY:
Japanese Computers: an explosive demand at home, while the industry plans fresh challenges on world markets

Washington mayor goes on trial

By Lionel Barber in Washington

MAYOR Marion Barry of Washington DC is set to go on trial today on charges of perjury and possession of cocaine, the climax of a controversial investigation into one of America's best-known black political leaders.

In the run-up to the trial, Mayor Barry has come under growing pressure from his friends and associates to plea bargain. Many are expected to be called as prosecution witnesses in what threatens to be an exposure of the private life of the high-rolling mayor who has ruled Washington for the past 10 years.

Though the mayor has reportedly suggested that he would be open to a guilty plea on misdemeanour charges of possession of cocaine, the US Attorney's office wants him to plead guilty to at least one felony perjury charge.

Under federal guidelines, this would almost certainly bring a prison sentence, barring him from office.

The case's racial overtones are ever-present. Ever since the allegations surfaced, Mayor Barry has accused the white establishment – including the Washington Post, the city's leading newspaper – of trying to unseat him.

Japanese 'notebook' computer war escalates

Stefan Wagstyl reports on a battle which shows the electronic giants at their best

COMPETITION is hotting up in the Japanese market for small laptop computers, as rival companies vie to pack an ever-wider range of features into an ever-smaller box and sell it for an ever-lower price.

Toshiba launched the first so-called "notebook" machine last July, followed by NEC in December. They have been so successful that Sharp, Mitsubishi and Fujitsu have recently announced plans to join the fray. Sony and Hitachi are considering following them.

The companies are fighting each other with leap-frogging announcements of innovations designed to capture market share. The battle shows Japanese electronics groups at their best: the same competitive pressures which led them to make the world's best-selling radios, televisions and music centres are now working in the notebook computer market.

Foreign as well as Japanese consumers will benefit. Toshiba already sells its machines in the US and in Europe. NEC has introduced models into the US but not yet into Europe. Sharp intends to make its debut in both the US and Europe this summer.

Notebook computers have developed as a sub-section of the established market in laptop machines. The small machines are generally the size of an A4 sheet of paper and weigh 3kg or less. Unlike the original generation of laptops, they are truly portable.

The manufacturers expect competition to become more intense. "It will be severe," says Sharp. Toshiba comments: "It will be difficult but we hope to win." The effort will be worth it if market forecasts prove correct. Sharp estimates 195,000 machines were sold last year, worth Y28.9bn (£111.6m). This could jump to 450,000 machines this year with a value of Y62.5bn, and 1.7m worth Y205bn in 1993.

Forecast growth of the Japanese notebook computer market

Year	Units	Yen (bn)
1989	195,000	28.9
1990	450,000	62.5
1991	710,000	94.0
1992	1,100,000	140.0
1993	1,700,000	205.0

Source: Sharp

Prices are falling. Toshiba says its original Dynabook was priced at Y198,000 (£764) when it was launched. The same model can be bought at Y160,000 now. But successive upgrades make price comparisons difficult. Toshiba's latest model, which is compatible with IBM machines, sells for Y328,000.

Toshiba's biggest rival is NEC. The two are running neck-and-neck in the domestic market. But NEC could streak ahead following the launch in April of 98 Note-SX, which NEC claims is the first small laptop fitted with a 32-bit central processor, instead of the 16-bit chip in other machines.

NEC says this makes the machine twice as fast. It does not, however, have any plans to introduce a 32-bit version of its 16-bit US model, called Ultralite. The competition overseas is not so tough.

NEC's biggest advantage is the fact that its small laptop computers are compatible with its own desk-top machines, which dominate the Japanese market. NEC says 6,500 different kinds of software written for the desk-top machine will run on the laptop.

It may be too late for the new entrants to catch the front-runners, but they are not without hope. Sharp, which is strong in calculators, is emphasising the extreme lightness of its machine, which weighs only 2kg, against 2.95kg for Toshiba's Dynabook. Also Sharp is spreading its development costs by supplying to Mitsubishi to sell under the Mitsubishi brand-name.

Sony is still considering launching a laptop. But in keeping with its tradition of technological innovation it has recently started marketing a machine which is entirely different – the "PalmTop".

Instead of a keyboard, the PalmTop has a screen on which the user writes instructions with an electronic pen. The machine can recognise more than 3,500 Japanese characters. This palm-sized machine is not sophisticated enough to run personal computer programmes. Nor can it understand English. But, one day, Sony believes, it might just make keyboards obsolete.

Spain outdoes Brady Plan by writing off half its bank loans to Mexico

SPAIN and Mexico have signed an agreement whereby Spanish banks will write off 50 per cent of \$156m (£92.3m) in Mexican loans, Reuter reports from Madrid.

The write-off is significantly larger than the 35 per cent under the scheme drawn up by Mr Nicholas Brady, US Treasury Secretary, to which Mexico was the first large debtor to subscribe.

The agreement was "in line with principles Spain began to defend well before the Brady Plan," Mr Carlos Solchaga, the Spanish Economy Minister said.

Mr Pedro Aspe, the Mexican Finance Minister, said he was grateful for Spain's gesture which he saw as recognition of Mexico's efforts to restructure its economy. In March, Mexico signed a \$48bn agreement with around 450 creditor banks for a three-option debt reduction scheme. Creditors could write off 35 per cent of the principal in exchange for 30-year Mexican bonds, accept a flat 6¼ per cent interest or make new lending equal to 25 per cent of banks' existing exposure to Mexico.

The agreement signed on Thursday involves Spanish banks accepting Mexican government bonds in exchange for up to \$78m in old debt and writing off the rest. The bonds carry a 17-year maturity, with four years grace and interest of six-months London Interbank Offered Rate plus 13/16 per cent. Mexico has foreign debt of \$93bn.

E German GNP is estimated to fall by some 10%

By David Goodhart in Bonn

THE GROSS National Product of East Germany could fall by up to 10 per cent in 1990, according to one of West Germany's leading economic institutes.

This would contribute to a much larger public sector deficit for the second half of the year, way above the DM33bn (£11.7bn) expected by the Bonn Finance Ministry.

The institute, which works closely with both the Bundesbank and the Finance Ministry, stressed the provisional nature of the estimates and the difficulty in applying normal GNP measurements to East Germany.

Nonetheless the calculations, to be published later this month, lend some authority to the assumption, shared by many West German businessmen, that the East German economy faces a gruelling two or three-year transition.

Earlier this year, industrial production in East Germany was reported to have fallen by 5 per cent, thanks in part to the outflow of workers to West Germany, but the institute's estimate for the whole year presupposes a further slump in domestic output after economic and currency union with West Germany on July 2.

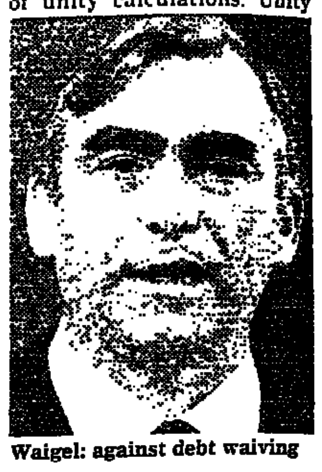
To prevent that slump swallowing up too many East German companies the Bundesbank has been encouraging West German commercial banks to be as generous as possible with loans after July 2 – at least for those companies with medium-term survival chances.

However, Mr Theo Waigel, the Bonn Finance Minister, repeated at the weekend that he would not contemplate a complete waiving of East German corporate debt as demanded by the opposition Social Democrats. Corporate debt is to be converted at 2 East Marks for 1 Deutsche Mark, but Mr Waigel said a complete waiving would cost the East German state an extra DM10bn to DM11bn in interest costs a year.

Despite reports from East Germany of a large rise in corporate credit in recent months, especially among those consumer goods companies which have virtually stopped selling their output, the total indebtedness of East German companies has actually fallen from 260bn East Marks at the end of 1989 to 236bn East Marks at the end of April.

The increased indebtedness of some companies has been more than off-set by the ability of others to reduce debt through retaining more of their profit, according to the Finance Ministry.

But the economic institute's gloomy growth forecast for East Germany in 1990 will raise more doubts about the Bonn Finance Ministry's costs of unity calculations. Unity



Waigel: against debt waiving

related borrowing for 1990 by both German states (including the German Unity Fund) is currently expected to be about DM42bn, but that assumes the East German deficit can be held at around DM33bn.

There are also uncertainties over how much support East German companies will need to continue their existing contracts with the Soviet Union; the Bonn Finance Ministry calculates DM2bn, while the East German Government puts it at DM5bn.

Such economic uncertainties have prompted the Bundesbank to stress the need for widespread savings by central and local government in West Germany.

Mr Karl Otto Pöhl, Bundesbank president, said on West German television that without such savings higher interest rates would be unavoidable.

Phnom Penh struggles on war and cash fronts

By Robin Pauley, Asia Editor

THE Cambodian government appears to be in increasing economic and military difficulties amid growing reports that Pol Pot's Khmer Rouge guerrillas have made strategic advances in the long-running civil war.

Another round of talks between the warring factions begins today, this time in Tokyo. Compared to six months ago, when the last talks were held, the Khmer Rouge is in a stronger battlefield position and diplomats do not hold out great hopes of meaningful progress or compromise.

Some form of ceasefire pact may be signed by some of the parties but its chances of holding are minimal, particularly if the Khmer Rouge do not sign.

Recent travellers and aid workers in Cambodia report an important advance by the Khmer Rouge which is reported to have launched an offensive against the provincial capital of Kompong Speu, 40km from Phnom Penh. However, reports that the town has been under virtual siege remain unsubstantiated, although an important 20-metre bridge on the main road linking Kompong Thom, in the north, to Phnom Penh has been destroyed.

The Vietnam-backed Hun Sen government, still subject to a Western aid blockade, is also facing a serious economic crisis. The blockade has remained principally because the US Government, foundering in its search for a new Cambodia policy, refuses to accept the Hun Sen government as an interim administration pending elections.

The economic crisis is made worse by the impact of developments in eastern Europe and the Soviet Union. The International Monetary Fund is also expected to dry up as a source of finance as resources are directed towards east European countries.

WORLD ECONOMIC INDICATORS

FOREIGN EXCHANGE RESERVES (US\$m)

	Mar.'90	Feb.'90	Jan.'90	Mar.'89
US	46.424	43.913	45,233	20,298
UK	31,345	31,839	31,765	38,771
W. Germany	56.919	57.158	56.001	50.157
Japan	66,663	74,483	75.738	92,739
Belgium	9,935	9,920	9.963	9,368
Italy	48.943	45,755	46,001	35,534
Netherlands	15,479	15,531	15,146	14,437
	Feb.'90	Jan.'90	Dec.'89	Feb.'89
France	22.211	21,646	21,868	22,104

Source: IMF

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to Communists' best hope lies in humour

The party is the butt of bitter jokes which may just help it survive, writes John Lloyd

IVE YOUNG people, in the uniform of the Pioneers (Communist ts) stand on a platform in Prikope Street in central ue and solemnly recite s and sing stirring songs. audience doubles up with hter.

hind them, a wall has erected on top of which, coconuts in a fairground , are the heads of past et and Czechoslovak Comist leaders: Stalin, Brezh- and Andropov, with the hoslovaks Gottwald, Zapoy Svoboda and Husak.

e "Pioneers" are actors, their act is little more than "Red Verses" and songs h nearly all the audience to memorise at school. don't need US dollars," one song, "all we need is own work, and a belief in country under the banner mmunism."

e laughter is a little bitter, ourse, for the system from h such "art" sprang was oke only seven months ago. , as the election campaign hes its final week, the munist Party has joined ranks of the other 20-plus ies vying for power, seek- through its ultra-democ propaganda and its a-pacific symbol (oddly, a ch of cherries) to wash y the bad taste in the ths of many Czechoslo- s.

can hardly be said, how- , that it is being treated ly" in this campaign: it is yone's whipping boy. Such ifestations as that on Na ope are common. Everywhere, its posters are defaced and mocked; and, rubbing the point home, Civic Forum and the Government continue to reveal the extent of the money taken from the state by the party over the past two decades, and to show that the party's most feverish activity since the November revolution has been to try to keep some part of its holdings.

A preliminary audit by the Federal and Czech Republic Audit Offices has established that the party's immovable property is worth some 9.5b Korunas (around £370m), of which the Goverment has already decreed that more than half must be handed back. A second audit, on the cash and movables, is due to be completed by September 30

Some of the ruses now being used by local Communist committees to retain their property have been revealed by district auditors. In Ceske Budejovice in southern Bohemia, the district party has leased two of its buildings to a shell co-operative, which then attempted to provide housing for district committee members. In the industrial city of Kladno, property has been sold to local leaders at a third or less of the subsequently audited value.

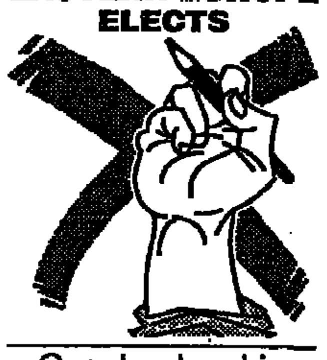
Mrs Jitka Zetkova, Minister in charge of the Czech Auditing Commission, said that she now had around 200 people working full time on the audit, and that documents had been secured on the internal affairs of the Communist Party up to the end of last month.

The party's share of the vote, which had held up in the low teens for some weeks, has slumped to 8 per cent in the latest poll. It has lost many of its prominent members in the Government, including Mr Marian Calfa, the Prime Minister, and Mr Valtr Komarek and Mr Vladimir Dlouhy, Deputy Prime Ministers, who left shortly after being appointed. It has only survived calls for its outright ban from other parties – including the Socialists, its former partners – because Civic Forum and President Vaclav Havel pointed out that the new order should not behave like the old.

The Communist Party, more than most other ruling parties, inserted itself into every crevice of Czechoslovak society, demanding membership for all leadership functions and perennially suspicious of any independent initiative, while remaining closed to new thinking and determinedly anti-intellectual.

Its best hope, for the immediate future, is that the national sense of humour, rather than a desire for vengeance, will remain the dominant response to its continued existence.

EASTERN EUROPE ELECTS



Czechoslovakia

OPINION POLLSTERS believe Civic Forum, with its Slovak sister organisation, Public Against Violence, can win an outright victory in Friday's elections, the first free voting for 42 years, writes John Lloyd.

The last poll to be published, last Friday, showed the two on neary 40 per cent, with Public Against Violence just beating the Christian Democrats in Slovakia for the first time.

The Christian Democratic Union, which includes the People's and Christian Democratic parties, held a rally yesterday in Vellehrag in Moravia, the centre of Czechoslovak christianity. Dr Jan Carnogursky, a Deputy Prime Minister, said "the election would complete the defeat of communism." Speaking as a Slovak, he said, the union between Slovakia and the Czech republic would remain strong. "Slovakia does not want to separate from the Czech lands."

Analysts at the Public Opinion Research Institute forecast that the proportional redistribution of votes of smaller parties which fail to reach the qualifying 5 per cent to the larger parties will carry CF/PAV over the 50 per cent mark and allow the group which engineered the revolution to take power without a coalition.

However, President Vacslav Havel, who will make an important speech in Wenceslas Square tomorrow, may wish to bring in members of other parties in order to create a wide consensus for the difficult economic restructing which has hardly begun.

The latest poll figures show the Christian Democratic Union trailing far behind CF/PAV at 13 per cent, with the Communists on 8 and the Greens on 6. All others – including the Social Democrats, Socialists, Democrats together with the Beer and Erotic Initiative parties – score 4 per cent or less.

In addition, some 13 per cent of people say they still do not know how they will vote. Analysts expect many to join the CF/PAC bandwagon as it continues to roll.

All parties except CF/PAC have suffered a loss of prestige during the campaign, or have been unable to make an impression.

● President Vaclav Havel said yesterday the home-made bomb which injured 19 people, many of them tourists, in central Prague on Saturday had been planted by "enemies of Czechoslovakia's new democracy." The Government would take firm action to prevent similar incidents.

oviet defence chief raises prospect of volunteer army

eyla Boulton in Moscow

POSSIBILITY of creating ofessional volunteer army e Soviet Union was held yesterday by Marshal Dmi- Yazov, the country's nce Minister. But he said sweeping military reforms ld take 10 years to com- .

ne of the central problems military reform.... is nging the recruitment m and the possible transi- to an army recruited on a nteer basis," he wrote in rticle published by the y newspaper Krasnaya Zvezda (Red Star).

The marshal also disclosed that a government commission would report to the Supreme Soviet (parliament) on reform proposals in two months' time.

He said that changes already under consideration included reducing military service to 18 months from two years – move aimed at stemming the growing problem of draft dodging.

He also revealed that by way of an experiment, the Soviet navy would reduce its current three-year conscription period to two years from 1992. Next year, it would try "contract recruitment", a system which could later be extended to other branches of the armed forces. Basically, this would let recruits choose between two years' service, or a three-year contract on much higher pay.

Marshal Yazov warned that the whole reform process could take up to a decade to complete, involving cuts in the military bureaucracy, more computerisation, and improving troops' living conditions.

Military observers said the article appeared to be an attempt to counter military dissatisfaction with increasing public criticism of the armed services and a lack of response by the high command.

"Most top military would admit privately that they need to move to a volunteer professional army but they've never said it publicly before," said one western military observer.

Middle-ranking officers and a growing number of radical politicians favour switching to a volunteer force, while the military high command has maintained that a large conscript army is necessary to defend the country.

But even proponents of such reform recognise that a professional force would be much more expensive to run than an army of conscripts paid Rbs7 (£7) a month.

The services are plagued by draft-dodging, a steady fall in the standard of living of professional staff, and the return home to inadequate housing of thousands of Soviet soldiers as part of troop cuts.

Bulgarian opposition hits out at intimidation

By Judy Dempsey in Sofia

BULGARIA'S largest opposition party, the Union of Democratic Forces, yesterday accused disgruntled Communists of intimidating voters after four UDF officials died last week in suspicious circumstances.

The deaths, two in a car accident, one by shooting and another in which the body was found at the bottom of a lift shaft, occurred as campaigning was being stepped up for the country's first free elections in more than 45 years.

The first round of voting takes place next Sunday.

The UDF, which groups 16 political parties, discounted interference from the secret police. Instead, Mr Petko Simenonov, editor of Demokracia, the UDF's daily newspaper, yesterday pointed the finger at bitter Communists who were trying to "create a climate of fear throughout the country".

Nevertheless, despite polls, which give the ruling Bulgarian Socialist (former Communist) Party nearly half the vote, the UDF's organisers reckon it is gaining ground and could gain 40 per cent of the vote.

The UDF says large sections of Sofia, the capital, and other cities are "blue", the UDF's campaign colours, but that support remains weak in the countryside. Mr Simenonov said the elderly and peasants were being told by the Communists that their pensions would be stopped if the UDF won.

The campaign itself has been given qualified approval by the Washington-based National Democratic Institute for International Affairs, an independent group which monitors elections.

It said the campaign was "remarkably open", but pointed out that some voter registries were "missing numerous names, while others included the names of those who had moved or died".

But the UDF adds that its policies are not getting through in some regions because the circulation of its four-page newspaper frequently fails to reach the provinces because of "distribution" problems.

Big companies call for changes in EC merger vetting rules

By Lucy Kellaway in Brussels

LEADING European companies have warned Brussels that its proposed system for vetting cross-border mergers will be a shambles, unless it changes it radically.

According to the Paris-based International Chamber of Commerce, the procedural rules spelling out how the regulation will work when it comes into force in September are "highly disappointing to business". They warn that the 17 years of discussion it took to produce the merger regulation – finally agreed by member states last December – could be wasted.

The regulation is designed to provide a system of "one-stop" control so that large mergers – with combined world turnover of more than Ecu5bn (£3.65bn) and EC turnover of Ecu250m (£182.50m) each – will be vetted by the Commission and smaller ones by national anti-trust bodies.

The draft notification form, which all large merging companies will have to fill in and send to the Commission, has already been sent back for redrawing following a hostile reception by member states. Competition officials admit it is too complex and are trying to simplify it.

The ICC, however, is worried they will not go far enough. It says the present form requires more information than most companies have readily at their disposal. They would have to provide 20 copies of all relevant studies and documents (with all figures in ecus) and supply exhaustive ownership lists for all related companies, complete with diagrams and flow charts. For companies with 500-1,000 subsidiaries this would be very time-consuming. Instead, the ICC has suggested a two-part form with a brief compulsory first part which would allow the Commission to decide whether to investigate, supplemented by a further questionnaire that companies would fill in on a voluntary basis.

The ICC is also taking issue with a draft document describing which kinds of joint ventures will be covered by the merger regulation. It believes the Commission has defined these far too narrowly, so that most would continue to be dealt with by the blunt tool of Articles 85 and 86 of the Treaty of Rome.

Brussels under attack for hampering biotechnology

By Tim Dickson in Brussels

CONCERN IN industry that Europe's competitiveness in biotechnology is being threatened by regulators in Brussels will be voiced at an international forum in Dublin today.

The conference is being staged under the aegis of the Irish presidency of the EC and will be attended by civil servants, industrialists and and research experts. The aim is to consider how modern biotechnology can address global problems such as health care and food supply.

A key industry message, however, will be the urgent need for the EC to develop a coherent policy enabling it to prevent the bulk of new investment going to the US and Japan.

While there is no doubt about the formal political priority which has been accorded the issue (a "communication" is due later this year) industry is frustrated at what it sees as a damaging battle within the European Commission between the departments responsible for the internal market and research on the one hand, and the environment department on the other.

The Senior Advisory Group Biotechnology, a high-powered lobby whose members include Ferruzzi, Hoechst, ICI, Monsanto Europe, Rhone Poulenc, Sandoz and Unilever, is calling for a coherent "line management" to be put in place in Brussels for Community regulation of biotechnology.

Bush plays courteous host to nurture Soviet ties

By Peter Riddell, US Editor, in Washington

THE theme of President George Bush's diplomacy is "keep talking". As he said reveallngly during Friday evening's ceremony to sign various arms and commercial accords: "We may not agree on everything – and indeed we don't agree on everything – but we believe in one great truth: the world had waited long enough. The Cold War must end."

To this end Mr Bush's priority is to keep pushing forward the US-Soviet relationship, not letting it be derailed or sidetracked, whatever the openly admitted differences over Lithuania and Germany. Mr Bush was the patient, courteous host, not seeking to exploit his guest's problems back home, but rather emphasising the positive points of the relationship. He was sensitive to Mr Mikhail Gorbachev's often repeated concern about appearing to look weak or to beg.

At yesterday's press conference he talked of "not looking for trying to achieve advantage". Both leaders yesterday praised each other.

US conservatives have accused Mr Bush and Mr James Baker, the Secretary of State, of pinning US policy too much on the survival of Mr Gorbachev when his future is increasingly in doubt. But they are working with the grain of US public opinion.

However, Mr Bush has taken a political risk in signing the trade treaty after congressional warnings that the deal should not go ahead as long as Moscow continues its squeeze on Lithuania. The decision was taken at the last minute.

A trade treaty will open the way for the granting of Most Favoured Nation (MFN) trade status and a lowering of US tariffs. However, granting it will not happen until the Soviet parliament passes a law codifying the liberalisation of emigration. Indeed, the treaty will not be sent to the Senate for ratification until then.

Mr Bush said yesterday that the only linkage was between granting MFN status and the emigration law – and the Lithuanian issue is separate, "one of the thorns in the side of an overall relationship".

However, as Mr Bush apparently told Mr Gorbachev in private, it will be "extraordinarily difficult" to win congressional support for the trade treaty without a resolution of the Lithuanian issue.

It is unclear yet whether Mr Bush's *decision to sign the* trade treaty is largely an empty gesture of support for Mr Gorbachev to help him at home when the US President knows that the treaty will not be approved by Congress. *The alternative view* is that once the Soviet emigration law has been approved Mr Bush will urge Congress to adopt the trade treaty, along with the multi-year grain agreement, in what he yesterday described as "the best interests of the US".

Progress on nuclear arms treaty slowed by key differences

By Robert Mauthner in Washington

THE US and the Soviet Union have narrowed their differences over reducing their strategic nuclear arms arsenals by an average of 30 per cent, but several important issues remain to be resolved before a treaty can be signed.

The "tangible progress" described by Mr James Baker, the US Secretary of State, was summed up in a statement by Mr Bush and Mr Gorbachev, which reaffirmed their determination to have a strategic arms reduction treaty (Start) "completed and ready for signature *by the end of this year*".

The two leaders also issued a guideline statement for follow-on Start negotiations, to begin at "the earliest practical date" after the *signature of the* first treaty. They set as their target "removing incentives" for a nuclear first-strike and giving priority to highly survivable *systems*.

In particular, the two sides undertook to seek to reduce the concentration of warheads on strategic delivery vehicles, *including* heavy missiles and long-range ballistic missiles with multiple warheads. The wording of this statement clearly indicated a desire to reach a compromise between the US objective to eliminate land-based missiles with multiple warheads, in which Moscow has a clear advantage, and the Soviet aim to limit sea-launched missiles, an area of US superiority.

Though the two statements were hailed as settling "almost all the major substantive issues" by Mr Baker, US officials frankly acknowledged that there was continuing disagreement in three important areas at least. These include the *US* demand for restrictions on the Soviet Backfire bomber, limits on the testing of the heavy Soviet SS-18 missile and what are decribed as the "non-circumvention" *provisions*.

Britain is directly concerned by this issue, since it could involve the Trident 2 missiles. The US has insisted in the *negotiations* with the Soviet Union that any non-circumvention clauses should not affect the Anglo-American nuclear arrangements.

US officials said that the Soviet Union was prepared to make a politically-binding statement that the Backfire *bomber would not* be used in "an inter-continental mode" and to take measures to restrict in-flight fuelling so that it could not be used in such long-range operations. But the US negotiators, under heavy pressure from the conservative arms lobby in Congress, continue to insist on additional assurances, such as a limit on Backfires assigned to naval operations.

On the Soviet SS-18 heavy missile, another special target for conservative critics who feel that Washington has been making too many concessions, US negotiators do not consider *that the* 50 per cent reduction in numbers which they have obtained is sufficient. They have also been pressing the Soviets to agree to measures which would inhibit their ability to modernise these missiles, such as limiting the number of tests that can be carried out.

The most significant progress that was reported was the agreement on sub-limits for mobile missiles. Within the limits of 6,000 warheads overall and 4,900 warheads on ballistic missiles, which had already been agreed long before the present summit, a sub-limit of 1,100 warheads on mobile missiles has now been fixed.

If several tricky hurdles need to be negotiated before the treaty is completed and signed, even less progress was made towards solving the remaining problems in the Vienna negotiations on conventional forces in Europe (CFE), particularly those concerning aircraft.

The two presidents did, however, reaffirm their commitment to conclude a *CFE* agreement by the end of 1990.

Of particular significance was their agreement that the completion of a Vienna agreement *should be a pre-condition* for a summit of the 35-nation Conference on Security and Co-operation in Europe, due to be held at the end of this year.

It is at this meeting *that* European countries, together with the US, the Soviet Union and Canada, will have their first substantive talks on a new security structure.

New note sounded on unification theme

By Lionel Barber in Washington

THERE was no breakthrough on German unification at the US-Soviet summit but the overriding impression after four days of talks between Presidents Bush and Gorbachev is that there is movement.

Talks will resume with an important three-way meeting in Copenhagen tomorrow between Mr James Baker, US Secretary of State, Mr Eduard Shevardnadze, Soviet Foreign Minister, and Mr Hans-Dietrich Genscher, West Germany's Foreign Minister.

The triangular talks underline *the close co-ordination* between Bonn and Washington on how to sell German unification to the Soviet Union. Chancellor Kohl will arrive in the *US later this week to give a* commencement address at Harvard and to hold talks later with President George Bush.

For a brief moment during the superpower summit, it seemed as though President Bush and President Mikhail Gorbachev were on the brink of a breakthrough on Germany; but Mr Gorbachev's tantalising words – "something has emerged" – proved to be just that.

This week in Copenhagen, both sides will examine in more detail the current US-West German proposals on the table which include capping the future size of a united Germany army; a transition period *for Soviet forces in East Germany*; substantial West German-led economic aid to the Soviet Union; and the shape of a second round of conventional arms agreement in Europe.

From Bonn's (and the Western Allies') standpoint, the joint summit declaration on the need to accelerate the conventional arms (CFE) talks in Vienna is crucial. CFE is intended to be the foundation of a new security structure for Europe, after German unification. Soviet foot-dragging was proving a problem.

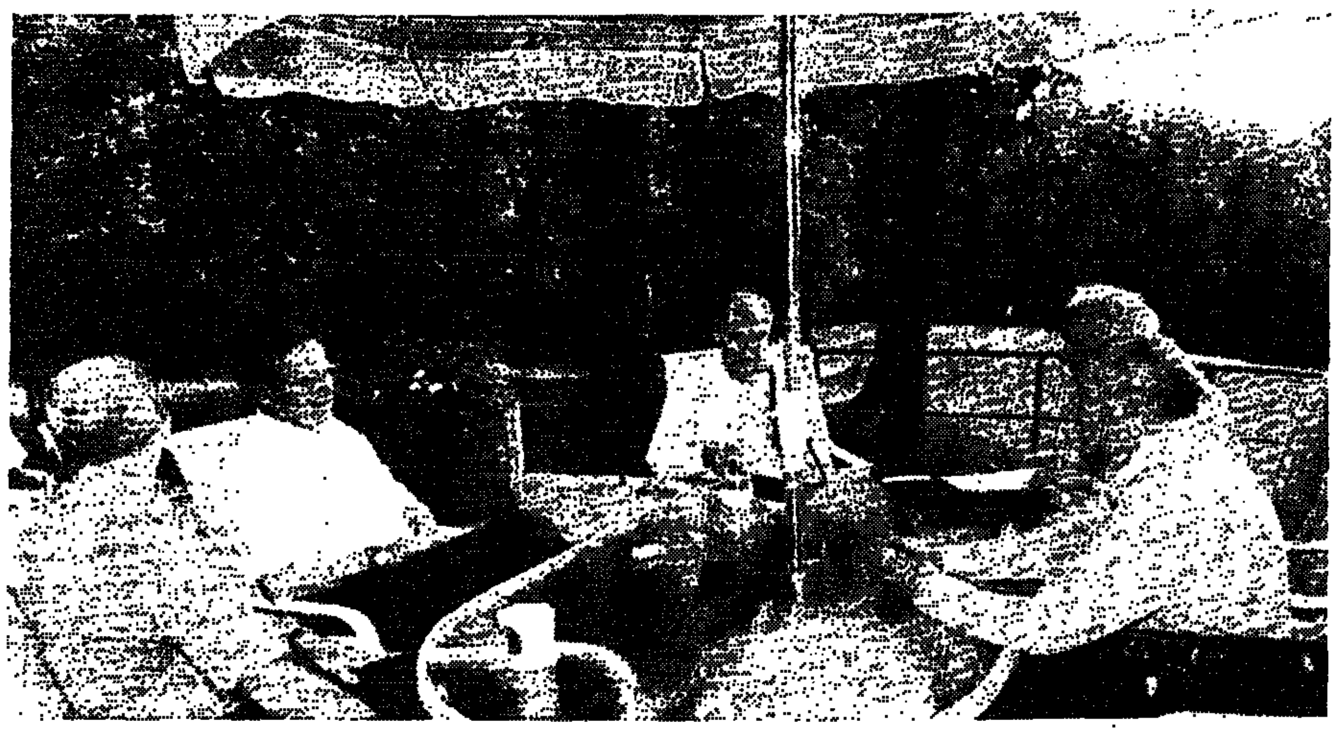
The Soviet Union is now on record supporting the US position that a CFE agreement is the pre-condition for a meeting of the 35-nation Conference on Security and Co-operation in *Europe (CSCE) later this year* to underwrite a European settlement. "We are reassured because there is now a process under way," said one West *German official*.

Bonn will also have been reassured by Mr Gorbachev's talk during yesterday's news conference of "synchronising" the internal process of unification with discussions on its external security. Nobody in Washington or Bonn wants to cement the economic, monetary and political ties between the two Germanies in a European security vacuum.

If there was a fear in West Germany, it was that Mr Gorbachev would act as a spoiler on the unification question.

The Soviet leader's demeanour during yesterday's news conference was of a man who may still harbour doubts.

But Mr Gorbachev, who complained last week, about the "same old melody" on German membership of Nato, now appears to have a more open mind.



Camp David talks involving, Mr Baker, left, Mr Bush, National Security Adviser Scowcroft, Mr Shevardnadze and Mr Gorbachev

Thatcher adamant on German role in Nato

MRS Margaret Thatcher, the UK Prime Minister, yesterday foreshadowed her talks later this week with President Gorbachev with an uncompromising stance on German membership *of Nato*, writes *Philip* Stephens.

Speaking on the BBC World Service, Mrs Thatcher said full participation in Nato by a *united Germany was "vital" to* western security.

As the US-Soviet summit broke up without agreement on the issue, she made it clear that any suggestions that a united Germany might join Nato's political structure but be left outside its military framework was completely unacceptable to Britain.

Mrs Thatcher, who will meet *President Gorbachev* in Moscow on Friday during a three-day visit to the Soviet Union, said she would offer strong support for the Soviet *leader's programme of internal* reforms.

She also indicated that she would seek to avoid publicly fuelling Moscow's dispute with Lithuania over the Baltic republic's desire to secede from the Soviet Union.

Acknowledging that the issue would be on the agenda for her talks with President *Gorbachev, she said that* Britain had consistently backed Lithuania's right to self-determination. She stressed also, however, that *the Soviet leader had acknowledged* that right.

President Gorbachev had passed a law allowing republics to secede, and the priority for both sides now was to negotiate the considerable practical difficulties involved in the split, she said.

Mrs Thatcher, who has no plans at present to meet Mr Boris Yeltsin, the new Russian *President, during her visit to* the Soviet Union, also eschewed any direct comment on his differences with President Gorbachev.

She preferred instead to speak of the need for all Soviet leaders to pull together in pushing through the country's planned programme of economic reforms.

WASHINGTON SUMMIT

Pitfalls remain along path to perfect trade relations

Nancy Dunne in Washington

E trade pact signed by the and Soviet presidents sets superpowers on a course of ser commercial ties. But the th towards a flourishing siness relationship is still ewn with potential pitfalls most immediately the Lithuian crisis which could bring agreement a defeat in Conss.

The pact guarantees US busiss the same rights provided the western free market nomies.

Market access is improved; option of protectionist disminatory standards is proited.

Intellectual property rights patents, trademarks, copyhts, trade secrets – are to protected, with particular phasis on copyrights for soft ar and sound recordings.

Red tape is to be slashed th faster accreditation proceres promised for business ices; access guaranteed to all vertising media; and rights anted to directly hire local d third country employees. mpanies can engage and ve as agents and conduct arket studies.

The treaty meets one of two quirements for the granting Most Favoured Nation stas for the Soviet Union. The ner is a liberalised immigran policy. President Bush has sisted that this be codified, a pulation not laid upon China other eastern European untries.

MFN would reduce tariffs on viet goods to the same tariff vels of most of US trading rtners; duties would fall m an average 40 per cent to average 5 per cent.

The immigration bill is nearg final passage in the preme Soviet. The delay ys time for a resolution of e Lithuanian stand-off and ves President Bush a good cuse to withhold the trade ct from Congress.

Two-way trade between the and Soviet Union last year is a comparatively tiny $5bn. some estimates, MFN could d to a doubling or tripling of e total in the next few years.

Even more importantly, FN status clears the way for creased export-oriented US vestment and the advantages at generally accompany full ade relations: credits from the US Export-Import Bank, US Agriculture Department credit guarantees and investment insurance provided by the Overseas Private Investment Corporation.

Commersant, the Soviet business newspaper, estimates that the Soviet Union will need $25bn-$30bn a year over the next two or three years in hard currency for imports to ease the economy's transition to market liberalisation. About $5bn-$10bn would be required in foreign currency funds.

IBM, for example, at the weekend announced a $20m-$30m deal to provide 13,000 personal computers for use in Soviet schools. The deal is in convertible currency.

Most of the 172 US-Soviet joint ventures already registered are still to get off the ground but the commitments offered by the trade agreement are bound to help. Chevron on Friday cited the pact as an important component of a deal to send 20 technical experts to Soviet Kazakhstan to assess the feasibility of a joint venture for oil exploration, production and development.

Company officials said that the survey of the big Tengiz oilfield could lead to a significant expansion of Chevron's Soviet commercial activities.

Despite the potential boost offered by the trade pact, the main obstacles to flourishing business relations remain. The rouble is as inconvertible as ever and the Soviet economic system as rigid and inefficient.

But Moscow last week demonstrated its ability to learn from the West. When President Bush early in the summit wavered over the signing of the trade pact, the Soviet Union showed Congress it too could practise linkage and held up the scheduled renewal of the long-term grain agreement.

This was not viewed with complacency by the US farm lobby which expects a prolific harvest this year and sees the threat of new surpluses. The urgency for a guaranteed total market of at least 50m tonnes over the next five years spurred both deals.

● President Gorbachev said yesterday he would travel to Japan to discuss increasing economic ties, AP reports from Washington.

The announcement, made during the joint news conference with President Bush, came as a surprise. Mr Gorbachev said he was going to Japan "so as to open up that area" for economic links with the Soviet Union.

Relations between the Soviet Union and Japan have been strained due to a territorial dispute involving the Kurile Islands, which the Soviet Union seized at the end of the Second World War.

SUMMIT ACCORDS

In addition to a "framework" deal on strategic arms reduction, a trade treaty and a chemical weapons reduction treaty, Presidents Bush and Gorbachev also signed at the summit:

- **A protocol strengthening on-site verification measures for existing treaties that limit nuclear tests.**
- **A deal to expand commercial air travel between the US and the Soviet Union by adding four US and six Soviet cities to current airliner routes. This will also allow one more Soviet and six more US airlines to run the routes.**
- **A new five-year atomic energy agreement to provide closer co-operation in nuclear reactor safety, fusion energy and basic atomic science.**
- **A grain deal committing the Soviet Union to buying at least 10m tonnes annually, starting next year, of US wheat, feed grains and soya beans. That is an increase of 1m tonnes annually from a current agreement that took effect in 1983.**
- **A maritime transport pact to make it easier for US and Soviet commercial vessels to deliver goods to each other's ports.**
- **A plan to open reciprocal cultural and information centres in Washington and Moscow.**
- **The first government-to-government agreement to increase student exchanges between the two countries.**

INTERNATIONAL NEWS

Mulroney begins crisis meeting on Quebec

WITH the future of national unity at stake, Canada's Prime Minister and its 10 provincial premiers gathered for an emergency meeting yesterday to try to break a constitutional impasse over French-speaking Quebec. **Reuter reports from Ottawa.**

Mr Brian Mulroney, the Conservative Prime Minister, who has bluntly warned that the country's future hangs in the balance, summoned the leaders to meeting in a last-ditch effort to save his troubled Meech Lake accord.

Quebec leaders believe the province will have to separate from Canada if the accord is not passed by a June 23 deadline.

The agreement was designed to protect Quebec as a distinct society within Canada, allowing the province to sign the 1982 Constitution.

But three English-speaking provinces are strongly opposed to the set of constitutional amendments, named after Mr Mulroney's lakeside retreat where the accord was reached in 1987.

The growing threat of Quebec separatism has mesmerised the nation and sent shivers through the financial markets. Business, church and civic groups have been speaking out and placing advertisements in newspapers in emotional pleas for national unity.

On Saturday, several hundred people descended on Parliament Hill in the nation's capital to pray for the future of Canada and the success of the meeting.

It was three years ago yesterday that Mr Mulroney and the 10 premiers signed the final accord.

But since then new governments have been elected in New Brunswick, Newfoundland and Manitoba, and the new administrations are opposed to the accord without substantial changes.

The provinces want a new formula to transform the currently appointed Senate into an elected chamber.

They are also concerned that the "distinct society" clause will allow Quebec to trample English minority rights in Quebec in the name of preserving the French heritage.

European TV picture is slow to focus

Cultural barriers seem likely to thwart a true single market in television for a long while after 1992, writes Raymond Snoddy

THE STORYLINE was dramatic. A truck-driver is found shot dead in a parking lot in Cologne with his hands corroded by acid. His employer is suspected of shipping drugs from the Far East to Germany. It is clearly a case for Inspector Dorn.

The detective show, made by ZDF, the West German national broadcaster, may not have been Europe's most brilliant television programme. But it was none the less a milestone of a kind. It was part of a series called "Eurocops", the result of a joint effort by six of Europe's public service broadcasters to tackle serious common problems: rising costs of producing and acquiring programmes; keener competition; extra hours to fill; and fears of US domination – "cultural imperialism" as some would have it.

"Eurocops" was produced under the aegis of the European Co-Production Association, involving SRG of Switzerland, ORF of Austria, ZDF, RAI of Italy, Antenne 2 of France and RTVE of Spain. Each national broadcaster told a story involving its own police, in their own setting and in their own language. It was also highly economical. Each broadcaster paid for its own one-hour show and then broadcast the others with subtitles, getting six hours of new drama for the price of one.

Miss Liz Forgan, deputy chief executive of Channel 4, which showed the series in Britain, is pleased with the result. The audience of up to 2m was good and viewers were apparently not put off by subtitles, which tend to hit ratings severely in the UK. The programme had a distinctive character and avoided coming out as "Euro-pudding."

A series like "Eurocops" is unusual, however, in a European market fragmented by cultural and linguistical differences. Despite the advent of pan-European satellite channels, many struggling to make ends meet, European broadcasting is still heavily dominated by national broadcasters.

According to the European Commission, nearly 90 per cent of programmes transmitted in western Europe never leave their country of origin. And it is often said that Americans understand the European market for films and television better than the Europeans.

Cultural barriers seem likely to thwart a true single market in television long after 1992. Even in Belgium and Switzerland, which receive broadcasts from neighbouring countries in their own languages, viewers spend most of their time watching their own national channels.

"The viewing habits and tastes of French farmers and

THE EUROPEAN MARKET

German grocers, of British bakers and Belgian bankers, are not to change overnight in 1993," says Mr Richard Dunn, managing director of Thames Television, the UK's largest commercial television company. Mr Dunn's European credentials are considerable: he is a significant investor in Astra, the Luxembourg-based pan-European satellite system.

A further barrier is the legal right of copyright holders – upheld by the European Court of Justice in 1969 – to distribute films for exhibition in some EC countries but not others.

Brussels Eurocrats seem to have quite modest dreams about how much harmonisation is desirable or practical in what they call the "European audio-visual area." That was not always so clearly the case. Last year, an EC directive on cross-border broadcasting alarmed the US production industry by proposing binding quotas on the amount of non-EC programming transmitted by Community broadcasters.

Since then, the directive has been watered down and now aims merely to reserve for European productions a majority of transmission time "where practicable and by appropriate means." Like a clause setting aside at least 10 per cent of channels, excluding news, sport and game shows, for independent producers, it is a guideline and not a legal requirement.

Mr Jean Dondelinger, the European Commissioner responsible for the broadcasting and film industries, told a recent conference in Luxembourg that the verbal war with the US over quotas was "last year's battle belonging to the past." It was right for Europe to set up its own audio-visual area, he said, but it would involve partnerships with the rest of the world – "beginning with the US."

The Commission hopes broadcasting can promote cultural diversity, while also encouraging a new sense of European identity. Brussels believes the sector's total revenues could grow from around Ecu25bn (£18.25bn) this year to Ecu35bn by the end of the decade. Technological change and the growth of channels will also increase the need for programmes from about 260,000 a year in 1987 to 400,000 in 1995.

Mr Dondelinger emphasises that the Commission does not intend to become involved in the creative process or to hand out large subsidies. Instead, it is concentrating on practical measures to help the downstream and upstream parts of programme production.

This week a technical committee of the European Parliament will begin examining an "action programme" to develop the European industry costing Ecu235m over five years. Proposals range from support for scripts suitable for broadcasting across national frontiers to help for improved dubbing, sub-titling and the creation of more European distribution organisations. Many countries, particularly German-speaking ones, insist on dubbing rather than sub-titling. According to British consultants Logica, dubbing costs from $11,000 to $24,000 for an hour-long programme.

European broadcasting organisations and the Commission have set up a script fund to finance script writing for trans-frontier production. Chaired by Sir Richard Attenborough, chairman of Britain's Channel 4, it has attracted 1,500 applications in the past 12 months from all over Europe. It has agreed so far to finance 130 scripts, of which 25 are already in production.

Many broadcasters believe the key to a single programme market in Europe will lie in developing a "second market" on the American model. US networks pay for rights each time they show a programme. But the real money is made later by independent programme-makers, which are entitled to syndicate their programmes to the more than 200 independent US television stations.

In Europe, independent programme-makers are usually obliged to surrender copyright to broadcasters. But Mr Alain Modot, head of the French independent producers' group, thinks they should have the right to retain copyright. That, he argues, would give them a big incentive to promote a single market by selling programmes right across Europe.

Ironically, last year's bogeymen, the Americans, could turn out to be among the most powerful catalysts for a more competitive European programme market.

Many large American media companies are eagerly prospecting the European market. For example, Paramount has bought 49 per cent of Zenith, the production subsidiary of Britain's Carlton Communications; NBC has set up a co-production with Yorkshire Television; and Time-Warner is on the verge of taking a substantial stake in the Zurich-based European Business Channel.

But perhaps the most remarkable phenomenon of all is the growth of contacts and trans-national alliances between European producers. It may not amount to a single market, but something interesting is under way when ZDF (when not chronicling the exploits of Inspector Dorn) is talking to S4C, the Welsh language broadcaster, about a co-production adventure series to be shot in Wales.

It's the splendid Welsh castles which interest ZDF, though, not the Celtic language.

Ulster dialogue holds course in spite of killings

By Paul Abrahams

THE PAST week's murders by the Irish Republican Army of two British soldiers and two Australian lawyers mistaken for off-duty servicemen will have no effect on progress towards talks about the province's political future, the Northern Ireland Office said yesterday.

The progress towards the talks between Unionists and nationalists remained on track, and the recent murders held no implications for the political process, an official for the office said.

Mr Peter Brooke, the Northern Ireland Secretary, has been making efforts in recent months to bring the various parties to the negotiating table.

The response from Unionists to the recent shootings has been curiously muted. The process towards talks appears delicately poised, and participants seem unwilling to jeopardise any progress that could be made. It should be added that the killings of the British servicemen would have generated considerably less publicity if they had occurred in Northern Ireland.

Specialists on Ulster doubt that the latest series of killings was related to the recent progress in negotiations. They believe that the attacks were planned far in advance and that the timing of the attacks was left to active service units, which act autonomously.

Meanwhile, the Ministry of Defence said it would not be forced into a siege mentality with soldiers being confined to barracks. An official said the ministry did not discuss security arrangements, but added that security was under constant review. He called for extra vigilance among service personnel.

Mr Tom King, the Defence Secretary and former Ulster Secretary, promised at the weekend that the men who killed a soldier and wounded two others in Lichfield last Friday would be caught.

"It is right to say that there are a small group of very evil people who have no compunction about killing. There are not many of them, and we have got to find them," he said.

The latest shootings represent a change in IRA tactics. Until last week its attacks on soft British military targets were limited to car bombs and planting timed devices.

IRA hunts where security is weakest

Irish terrorists may again kill troops, **Kieran Cooke** warns

TWO tersely worded messages, issued in the specially coded language of the IRA, have come out of Dublin in the past seven days.

One apologised for what was called "the tragic mistake" of the IRA murder in the Netherlands of two Australian tourists mistaken for British military personnel. The other carried no apologies.

Issued late on Saturday *night, it claimed responsibility* for the murder of an army major in Dortmund, West Germany, and the gunning down of three soldiers on a station at Lichfield in Staffordshire.

The "army council" of the IRA, which probably co-ordinated the attacks from Dublin, will be pleased with its week's work. Once again, the IRA has grabbed the headlines.

The logic behind IRA actions is simple and deadly. In the words of Mr Danny Morrison, former publicity director of Sinn Fein, the IRA's political wing: "If the fatality rate of British soldiers rises, then the 'troops out' sentiment rises in Britain and the closer we come to a resolution."

The IRA's present campaign on the British mainland and on the Continent began early in 1988. At that time, the IRA let it be known that it was in *future going to concentrate on* military targets, in Northern Ireland and elsewhere.

In part that was a reaction to the adverse international publicity from several botched operations in Northern Ireland resulting in civilian deaths, including the Enniskillen bombing. It was also a recognition of the sad fact that deaths of service people outside Northern Ireland reap far more publicity than killing UDR men within the province.

From the IRA's point of view, it was also much easier to strike at so-called "soft targets" – ranging from army bandsmen to military post sorting staff, to off-duty soldiers on the Rhine, than to launch operations in Northern Ireland, where security forces' intelligence has made terror attacks progressively more risky.

From the beginning of its *present campaign, the IRA has* aimed to spread among military personnel the fear of being attacked any time, anywhere. It has also sought to intimidate anyone connected with the forces, issuing warnings not to travel with forces personnel.

In 1987 and 1988, the IRA experienced several setbacks, including the shooting of eight of its "volunteers" by the SAS at Loughall in Northern Ireland – the biggest single loss of life it had suffered since the Irish civil war of the 1920s.

In early 1988, another three of its top operatives were killed by the SAS in Gibraltar. Recent IRA attacks show that it has re-established an infrastructure on both the Continent and England.

The security forces also admit that the IRA, whether in England or on the Continent, now has access to considerable *amounts of arms and bomb*-making equipment, part of the massive shipments that originated in Libya.

It includes not only large amounts of the Czechoslovak-made Semtex explosive, light and odourless and therefore easily transportable, but large quantities of sub-machine guns.

Police and military face a very difficult job in tracing IRA cells. There will doubtless be calls for more international co-ordination to fight the IRA. There will be increased security at military establishments everywhere. Yet the army and the IRA know that no matter what precautions are taken, there will always be another "soft target."

Energy and obstinacy give way to reality

Philip Stephens traces the acrimonious life and prolonged death throes of the SDP

BRITAIN'S *electorate* administered the last rites in 1987, but the funeral procession of Dr David Owen's SDP took until yesterday finally to enter the cemetery.

No one at Westminster over the past two years has doubted the inevitability of the decision to wind up what remained of the force that less than a decade ago promised to "break the mould" of British politics.

The failure of the then Liberal-SDP Alliance to achieve a breakthrough in the 1983 and 1987 general elections, and the subsequent acrimony surrounding the creation of the Liberal Democrats left the SDP without a political future.

The shift towards the centre of Mr Neil Kinnock's new model Labour Party ensured *that even as self-confident* a politician as Dr Owen would be obliged later if not sooner to recognise that reality.

With the benefit of hindsight, the SDP's foundations were built on a polarisation that its very creation would help to ensure proved an aberration rather than a permanent shift in British politics.

Once Labour saw that its policies on Europe, on unilateral nuclear disarmament, and on economic management, would bring political suicide, it was destined to move into the ground claimed by the SDP.

Dr Owen's often bitter personality clashes with both his Liberal partners in the Alliance – above all with Mr David Steel during the 1987 election campaign – and with his original partners in the creation of the SDP, bolstered Mr Kinnock's determination.

Recently Dr Owen has admitted that the latest stage of that shift had left Labour's policies perilously close to those which he quit the party to fight for. Only on the issue of electoral reform are there still decisive differences.

So, in spite of moments of near-glory – as in the Richmond by-election last year – the SDP had been sustained since 1987 only by the energy, obstinacy and personal standing *of its leader, and by the* financial help of Mr David Sainsbury.

A sustained drop in membership to a tenth of the 50,000 it once claimed and the humiliation of last month's Bootle by-election, where it polled fewer votes than the Monster Raving Loony Party, meant that the pretence that it remained a national political force could no longer be kept up. As a former colleague com*mented: "David has one of the* thickest skins in politics but even he could not stomach losing to a party led by someone called Screaming Lord Sutch."

As friends and enemies reflected on the decision, there was agreement that, if Dr Owen long ago lost any hope of real power, he has retained considerable influence in British politics.

For Labour, the end of the SDP removes a irritating reminder of the extremist past that pushed Dr Owen and the rest of the Gang of Four – Mr Roy (now Lord) Jenkins, Mrs Shirley Williams and Mr Bill Rodgers – into their 1981 Limehouse Declaration.

But it also holds out the hope – although not the certainty – that a man who has frequently been more scathing about Labour than Mrs Margaret Thatcher might now offer Mr Kinnock his blessing.

For Mr Paddy Ashdown's Liberal Democrats, battered by *the internecine warfare that* followed the merger after the 1987 election, it offers an opportunity to begin to rebuild support for a third party.

In spite of public protestations of serene indifference, senior Labour figures agree that an endorsement by Dr Owen might be worth the votes of thousands of those who remain unconvinced of the depth of the party's reforms.

Dr Owen himself is said to believe that he could influence perhaps 4 or 5 per cent of a wavering electorate. Even if the real figure was only a fraction of that, it might prove pivotal in what promises to be the most closely fought election since 1974.

The SDP leader says that the price of such backing is the commitment to proportional representation which Mr Kinnock is determined not to give.

But as one member of Labour's shadow cabinet commented with a *certain cynicism* yesterday, Dr Owen has shown himself extremely "adaptable."

For Mr Ashdown, the priority now must be to woo as many as possible of the remaining SDP members.

Few, though, even among Liberal Democrats, think Mr Ashdown can hope for much more than a chance for his party to retain its present *strength* at the general election, gaining perhaps the support of between 10 and 15 per cent of the electorate.

Ironically, Mr Ashdown will be hoping that his party will now reap the benefit of the scenario which has persuaded Dr Owen to go on fighting for so long – a scenario in which a fourth successive defeat finally persuades Labour to embrace proportional representation and thus guarantee that the mould is indeed finally broken.

Few expect Dr Owen or Mr John Cartwright and Mrs Rosie Barnes – his two remaining SDP colleagues - to be at Westminster to see whether that dream too is shattered by the harsh realities of two-party politics. His friends expect Dr Owen to avoid the humiliation of defeat by opting for a career outside politics.

David Owen, Shirley Williams and David Steel, present a united if gloomy front at a 1987 press conference.

Rise and fall of the SDP

OCT 1980: Dr David Owen tells Labour conference he is fed up with "fudging and mudging."

JAN 1981: Limehouse Declaration by Dr Owen, Mr Roy Jenkins, Mrs Shirley Williams and Mr Bill Rodgers marks establishment of SDP.

MAR 1981: New party launched, recruiting 29 MPs, virtually all from Labour, by time of 1983 general election.

DEC 1981: Liberals and SDP win 50 per cent rating in the opinion polls but then support begins to slide.

JUNE 1983: SDP wins only six seats at general election. Dr Owen replaces Mr Jenkins as leader. Formal Liberal/SDP Alliance established but popular support continues to ebb.

MAY 1987: General election campaign marred by differences between Dr Owen and Mr David Steel. SDP retains only three seats and Mr Steel calls for merger with Liberals.

FEB 1988: Dr Owen refuses to accept merger vote as majority of SDP join newly-formed Social and Liberal Democrats.

MAY 1989: SDP forced to acknowledge that it can contest only a handful of seats in European elections.

MAY 1990: SDP membership down to an estimated 5,000. Party's candidate in Bootle by-election beaten by Monster Raving Loony Party.

NEWS IN BRIEF

EC call over beef faces rejection

FRANCE AND West Germany were last night thought most unlikely to comply with the European Commission's demand that they revoke their controversial bans on British beef by 6pm today, Tim Dickson writes from Brussels.

EC diplomats believe the Brussels deadline will pass without any immediate response from Paris and Bonn, and that the stage will therefore be set for a potentially turbulent week of EC infighting and intrigue.

On Friday, the Commission reacted to Germany's decision to join France's controversial boycott over fears of bovine spongiform encephalopathy (BSE) by threatening to start legal proceedings if today's ultimatum was not observed.

At the same time it was announced that EC agriculture ministers will gather for an emergency meeting on Wednesday evening, after a special session of the EC's Scientific Veterinary Committee earlier in the day.

No other member state last night had joined the ban. An announcement on Friday in Brussels that Luxembourg had followed suit was later withdrawn – the confusion apparently arising after a consignment of British beef was stopped for a routine check at the frontier.

The Belgians are believed to be considering action, and their health minister has warned consumers either not to buy British beef or at least to cook it well.

Rumours continued last night to circle around the intentions of Italy, Portugal and Spain.

French woo MCA

A £250m package of benefits is believed to have been offered by the French Government to pursuade the MCA Corporation, the US company which plans to build a £2bn film studios and theme park complex in Europe, to settle for a site near Paris.

The French move had been expected after the slowdown in talks between MCA and its UK backers over plans to site the studios and theme park in Rainham, Essex.

The Rank Organisation plans to take a 50 per cent stake in the project.

Plutonium screening

DOCTORS working for the West Cumbria Health Authority have agreed to start radiation screening as part of a foetal research programme to be carried out near the Sellafield nuclear reprocessing plant.

The tests, ordered by the National Radiological Protection Board, will monitor foetuses and placentas in miscarried pregnancies to assess plutonium levels.

Homes register

BUSINESS agent Christie and Co is drawing up a nationwide register of people wanting to arrange part-exchange of their homes for businesses.

The scheme, aimed at people wanting to buy and sell hotels, pubs, shops, nursing or residential care homes, is designed to counter the present decline *in the housing market.*

Single-solicitor firms are found more profitable

By Ian Hamilton Fazey, Northern Correspondent

SOLICITORS who work as sole practitioners are about 14 per cent more profitable than those operating with up to three partners, according to a study by Manchester Business School of small and medium-sized businesses offering legal services.

The mean annual profit for the one-person firm was found to be £46,998, or 45.47 per cent of a total income of £103,359.

Firms with between two and four partners brought in more income per partner, £109,092, *but comparatively higher* operating costs reduced net profit per partner to £40,953, or 37.54 per cent of income.

The figures come from a service to be launched next week by the business school. It will provide industry sector research for small businesses. The school claims it is the first service of its kind.

Small firms of solicitors are the first sector the service has examined. Another report on the plastics processing sector and, in particular, injection moulders is in preparation.

Solicitors' Firms, A Review of Trends, Financial Characteristics, Strategy and Performance. Manchester Business School, Booth Street West, Manchester M15 6PB. £148.

Scottish Power's sales increase

By James Buxton, Scottish Correspondent

SCOTTISH Power, the larger of the two Scottish electricity companies, increased its sales of power to England and Wales more than tenfold in the first two months of Britain's new trading regime for power.

The company, formerly the South of Scotland Electricity Board, has also agreed a contract for supplying electricity to Guinness and its subsidiary United Distillers, for all its plants in Britain, many of which are in Scottish Power's own area.

The deal involves supplying power at a fixed price to distilleries in the north of Scotland, the area of Scottish Hydro-Electric, Scottish Power's northern rival, as well as plants south of the border.

Whereas Scottish Power exported about 22 gigawatt hours of electricity to England and Wales in the first two months of the 1989-90, its exports in April and May totalled more than 250 gigawatt hours.

Mr Donald Miller, chairman of Scottish Power, said that the *power exports would be "a sig*nificant way of increasing our sales and our profitability."

He declined to say what the value of the exports was. In the year to March 31 1989, the last for which figures are available, Scottish Power was, as in previous years, a net importer of power from the Central Electricity Generating Board, buying £20m worth of power.

Mr Miller said that Scottish Power was only interested in exporting power when it was profitable to do so and that it still imported power from the two English generators, National Power and PowerGen, when it was economic.

Most exports were to the English and Welsh electricity trading pool, rather than being made under a contract, struck in March, to supply the 12 English and Welsh distribution companies. That contract allowed for the sale of up to 180MW of power on an option basis, under which the distribution companies have the option to take power when Scottish Power's price is below the pool price.

Mr Miller said the success of exports emphasised the need to increase the capacity of the interconnecting power lines between England and Scotland. Scottish Power has drawn up plans to increase their capacity from 850MW to 1,200MW.

With the ending last week of the open season for competitive tendering for supplies to large industrial users, Scottish Power says that 97 per cent of its existing Scottish customers have decided to remain with it.

Last month Scottish Hydro-Electric also disclosed a sharp increase in power sales to England and Wales.

● Friends of the Earth, the environmental group, will today urge the 12 area electricity companies in England and Wales to itemise the cost of a nuclear power levy on electricity bills.

FoE estimates that the levy, to compensate area companies for having to use higher-cost nuclear power under the rules governing the new electricity market, will cost the average household £150 over the next *eight years.*

Guidance urged on future of state pensions

By Eric Short, Pensions Correspondent

BACON & Woodrow, one of Britain's largest firms of actuaries and consultants, has urged the Government to give employers a clear indication of the future structure of the state pension scheme.

In the firm's latest client briefing analysis, Mrs Vivienne Miller, head of research and information at Bacon & Woodrow, points out that a recent European Court judgment requires company pension schemes to equalise benefits for all employees. For schemes with current normal pension ages of 65 for men and 60 for women, the judgment would add about 5 per cent to payroll costs.

Mrs Miller says that employers need guidance on how to allocate their resources. Since many schemes are designed to complement the state scheme, she argues that the Government should now review and *restate its social priorities.*

Vickers shows off Challenger 2 prototype

By David White, Defence Correspondent

THE PROTRACTED battle over the British Army's next tank enters its final phase this week when Vickers puts its contender, the Challenger 2, on display for the first time.

A prototype of the tank, which will have to compete against the latest US, West German and French models, will be seen from today by visitors invited to the British Army Equipment Exhibition in Aldershot.

Most will only view it behind a Perspex screen, and nobody will be let into the turret, which is strictly secret.

Vickers has until the end of September to meet the requirements set out a year and a half ago in a contract with the Ministry of Defence, which gave Britain's only tank manufacturer a second chance to demonstrate its project's worth.

The company is running a day-by-day countdown at its Leeds and Newcastle tank factories and is believed to have eight of the nine prototypes more or less finished. The final prototype has been slightly delayed to accommodate equipment modifications.

Both Mr Tom King, the Defence Secretary, and Mr Alan Clark, Minister of State for Defence Procurement, have visited the factory in recent weeks to look at progress.

A government decision is due by early December, with the British Army of the Rhine clamouring for a replacement for its elderly Chieftain tank. However the Army's requirement, originally reckoned at up to 600, is expected *to be* reduced to between 300 and 350 in view of future force reductions in Germany. The initial order may be only about 200.

Vickers said that if it won the order it would continue to use both its tank production facilities.

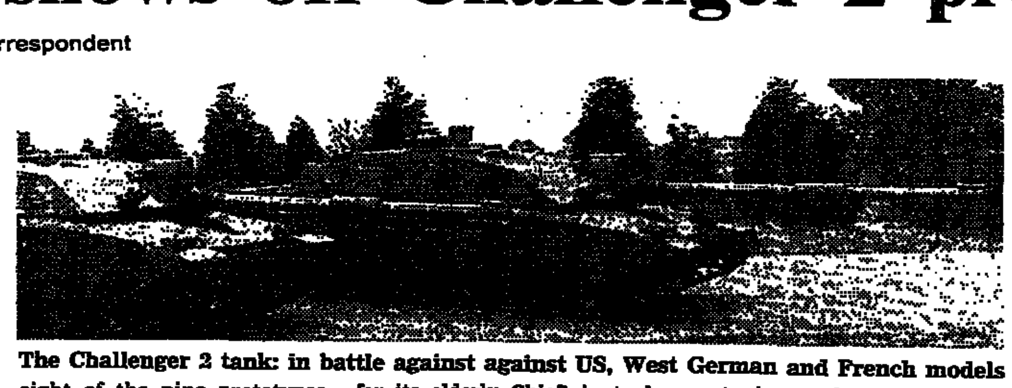
Both the Chieftain and the Challenger 1, which was designed for the Iranians, are notorious for reliability hitches. Experts believe the army's own first choice at this *stage would probably be the* US contender, the General Dynamics M1A2 Abrams. However, the Abrams has a potential drawback in the high fuel consumption of its turbine engine. West Germany's improved Krauss-Maffei Leopard 2 might be a second choice.

Sir Peter Levene, the MoD's procurement chief, is understood to have backed the US option in 1988, but the arguments of Lord Young, then Trade and Industry Secretary, in favour of Vickers prevailed in the government decision.

General Dynamics has intensified its efforts to swing the final verdict by the MoD now that the US Government has announced plans to suspend its purchases of tanks from 1993.

Royal Ordnance, the British Aerospace subsidiary that is developing the gun for the Challenger 2, recently made a deal to become a key subcontractor to General Dynamics if the US tank is chosen instead.

Vickers Shipbuilding and Engineering (VSEL) – unconnected to the Vickers cars-to-tanks group – is also poised to play an important industrial role if the MoD opts for a foreign tank. However the tank-making Vickers has made clear that it is not interested in a similar deal. "We will not build somebody else's product under licence," it said.



The Challenger 2 tank: in battle against against US, West German and French models

Arms on display as exporters brace for testing times

By David White

A TOUGH "couple of years" was forecast yesterday for UK arms exporters by Mr Alan Thomas, head of the Ministry of Defence's Defence Export Services Organisation.

At a preview of this week's British Army Equipment Exhibition at Aldershot, he said spending cuts in other European countries would have a limited direct effect on UK defence companies, since Europe was not a big market for them. However, the decline would mean increased competition in other markets.

The biennial exhibition, which is not open to the public, is due to be inaugurated today by Mr Tom King, the Secretary for Defence.

The show comes at an embarrassing moment for the UK arms business, in the middle of a six-week pause in the the Government's own arm purchases.

General Sir John Stibbon, Master-General of Ordnance, who is in charge of purchases of land weapons, said the pause covered all defence buying "while we get our sums right."

China has been deleted from the list of countries invited to send delegations, after the internal repression a year ago. However, Chinese diplomats in London said they hoped to attend in the expectation that restrictions on arms sales would be lifted within the next year.

Mr Thomas said about 80 countries were invited. "It is not our policy to say which countries," he said. "I think they would like that *to be* their business." However, exhibitors said Iraq, Iran and Israel had not been invited.

Mr Thomas said a country's presence did not mean it would necessarily be permitted to buy equipment on show.

Both India and Pakistan are expected to be strongly represented and Chile is understood to be sending a delegation for the first time since the exhibition started in the late 1970s.

Studies were still going on, he said. He reckoned, however, that they would not lead to "massive" cuts.

The moratorium, expected to last until about June 22, is not directly linked to longer-term reductions currently under review at the MoD.

The ministry is believed to be looking for short-term cuts of £350m to offset the effects of inflation on the defence spending budget.

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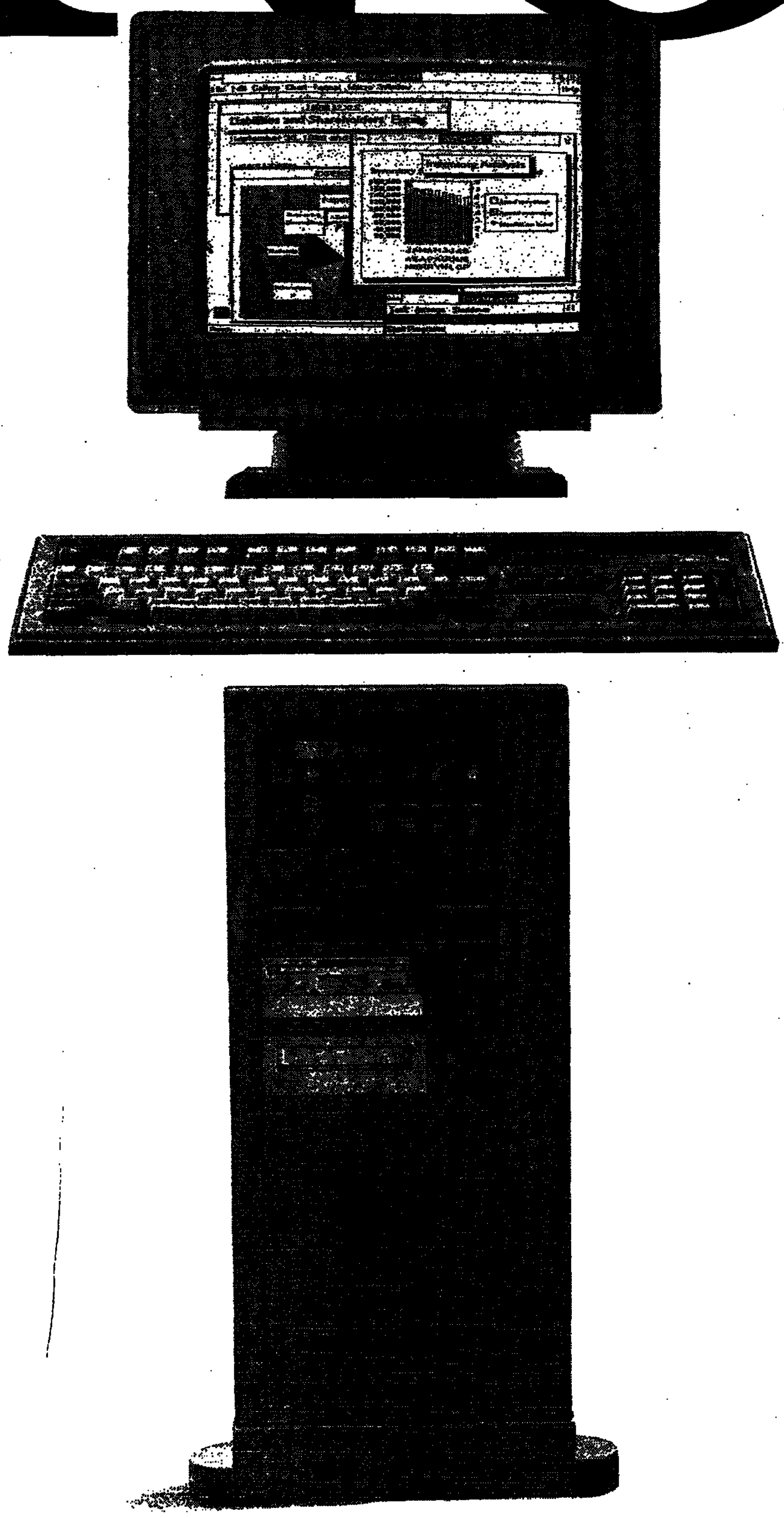

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UK NEWS

Economy may be starting to pick up, survey shows

By Andrew Marshall, Economics Staff

THE UK economy may be starting to pick up again, with manufacturers expecting to take on more staff, according to a survey released today.

Recent indicators have shown that the economy has been slow to react to the Government's monetary squeeze, with both inflation and consumer demand remaining *obstinately resilient.*

In contrast, the Association of British Chambers of Commerce Quarterly Survey is the first to show that economic activity may be reviving. That is *likely* to cause some concern to the Government because of fears that it will fuel inflation.

Among manufacturers, 14 per cent more expect to increase their number of *employees than expect to* decrease them, up from 6 per cent in the last quarter of 1989. A balance of only 3 per cent said they increased employment in the last three months.

The number of unemployed people increased for the first time for four years in Apriland led to widespread predictions of a return to high levels of unemployment. The survey suggests that may not be so.

The manufacturing sector, which has been more depressed than the service sector on the chambers' figures, now seems to be experiencing a small bounce-back.

The principal reason for that is a surge in British overseas sales with the balance reporting export orders increasing to 27 per cent from 15 per cent in the last three months of 1989.

Domestic orders and deliveries continue to tail off, but at a reduced rate. Manufacturing home orders are reported to *have increased by a balance of* only 3 per cent, compared with 5 per cent in the last survey, while the equivalent figure for the service sector is 22 per cent, down from 19 per cent.

Confidence has remained at similar levels to those of the previous quarter. Manufacturers' confidence in future turnover growth and profit growth has increased slightly. *Although the service sector's* confidence in both has slipped, it is from a higher base.

Manufacturing investment plans are being modestly scaled up from a low base, but *only 31 per cent of manufacturers* reported that they were operating at full capacity, compared with 35 per cent in the previous quarter. The proportion of service-sector companies reporting full capacity remained at 31 per cent.

The recovery seems centred on small businesses, which are showing the strongest growth in home orders and deliveries, the highest expectations of increased employment, and the highest confidence in turnover growth.

The survey covers 3,821 businesses in 11 regions.

Quarterly Economic Survey, British Chambers of Commerce, Sovereign House, 212 Shaftesbury Ave. London WC2H 8EW. £45 annual subscription. £15 single issue.

Tunnel may marginalise UK regions, report says

By Paul Abrahams

REGIONS beyond the south-east of England risk being increasingly marginalised, according to a report on the implications of the Channel tunnel issued today by the Town and Country Planning Association.

Unless there is significant investment in rail links, the report argues, the completion of the tunnel and the single *European market will mean* that the UK regions risk becoming increasingly perceived by investors as being on the periphery of Europe.

The report also says the *south-east will suffer without* additional rail investment, as roads, particularly the M25 motorway, become more congested.

It says British Rail's plans *to operate one train a day* between the north-east, north-west and the Continent are inadequate. BR estimates that 30 per cent of tunnel passenger traffic will originate outside the south-east.

The report calls for an early decision on the provision a high-speed link between London and the tunnel; a ten-year investment programme to integrate the UK's rail network into the Continental system: and a feasibility study on the viability of a high-speed TGV North route to the north-west of England.

The Channel tunnel: the case for a railway development strategy to benefit the whole of the United Kingdom. Town and Country Planning Association. 071 930 8903.

Constitutional confusion over war crimes

Alison Smith says plans to allow prosecution of old Nazis are stirring up a rumpus

FOR the House of Lords to vote on the general principles of a government bill is a rarity. For there to be a sporting chance that peers might throw the bill out the first time they have an opportunity to do so is the sort of stuff to make hardened constitutionalists reach for the books on precedent.

If the Lords do decide today *against the war crimes* legislation, enabling prosecution in the United Kingdom of alleged war criminals who are British citizens or residents, it will be the first time they have voted *down a government bill* at second reading for more than 40 years.

That last happened when the post-Second World War Attlee government introduced legisla*tion to reduce the Lords' legis*lative powers. Those same powers may yet be invoked by the Government to ensure the passage of the present bill.

Under the Parliament Acts *of 1911 and 1949, if the House of* Lords rejects a government bill in two successive parliamentary sessions, after the second time it can go straight to the monarch for formal royal assent and then implementation, unless the Commons decides otherwise.

However, in what sounds like an attempt to distance themselves from probable political embarrassment, ministers are already explaining that the war crimes bill is not straightforward government legislation.

Although technically a government bill, the issue is one of conscience and party whips will not be applied.

Thus if the motion from Lord Campbell of Alloway, a Tory backbencher, is passed, refusing to allow the bill to proceed, that will not be a "government defeat", the argument goes. It will be more like the bill on embryo research, where the Government's job was to enable Parliament to *make up its mind.*

The difficulty with the war crimes bill is that Parliament appears to be in two minds.

Although the bill was brought forward only after there had been a majority in favour of more than 200 among MPs in a free vote, in the Lords the heavily represented legal establishment has twice led widespread opposition to the plans for war crimes trials.

Lord Belstead: cautious on a re-run for the proposals

Late last year, when peers discussed the report from Sir Thomas Hetherington, the former Director of Public Prosecutions, hardly a handful of peers supported bringing in legislation as the report recommended. Those opposed included Lord Hailsham and Lord Havers, both former Tory Lord Chancellors.

Just a month ago, when the Government proposed in legislation dealing with Scottish legal matters to allow video links to be used for giving evidence (already allowed in England and Wales) an amendment preventing that change in any war crimes trials succeeded by more than two to one (137-62), in spite of government support for it.

If the same lobby succeeds in killing the bill, the Government will not be drawn into an immediate statement on its plans. There are, *anyway*, internal differences to be resolved.

Mr David Waddington, the Home Secretary, is thought likely to press for the bill to be reintroduced next *session*, but the Government's business managers – particularly Lord Belstead, leader of the Lords, and Lord Denham, the government chief whip – are said to be more cautious about a rerun.

One possible approach that ministers are considering is to give MPs a free vote on whether to pursue a course that could bring constitutional confrontation with the Lords.

If the Commons still strongly supports changing the law, a clear vote to say so would strengthen the Government's hand in trying again and if necessary making rare use of *the powers in the Parliament* Acts to override the Lords.

While a defeat for the bill would in the short term add to the Government's political troubles, ironically it raises *almost as many difficulties* for the Labour Party in the Lords.

Legislation in the Lords works under the "Salisbury rules" – an informal agreement binding the opposition not to wreck or vote against the second reading of a government bill if it is a manifesto commitment.

Given the bill's awkward *combination of being both* government and free vote, the only way for the opposition to be united and still within the rules seems to be for the Labour frontbench team to agree to *abstain* while their backbench colleagues are allowed a free vote.

Abiding by such a "doctrine of the mandate" has caused frustration on the Labour *benches during previous Tory* difficulties, and will do so again today. Yet Labour peers, scenting power more closely than for some time, will not depart from it now.

Economists oppose cuts

By Our Economics Staff

SHARP disagreements between professional economists' opinions and government policy are found in a survey of 1,000 economists published today by the Institute of Economic Affairs, an independent research organisation.

Two thirds of the economists surveyed were against reductions in the level of government spending, did not support the view that the main concern of economic policy should be to eliminate inflation, and believed the European Monetary System was superior to a floating exchange-rate system.

Mr Graham Mather, general director of the IEA, said: "Many will consider that this very thorough survey shows Britain's economists trapped, in key respects, in the conventional wisdom of two or three decades ago."

Data studies appointment

MR Michael Earl, a fellow of Templeton College, Oxford, and one of Britain's leading management academics, has been appointed to the newly created chair of information management at the London Business School.

The chair has been sponsored by Andersen Consulting, the information-technology arm of the accounting firm Arthur Andersen. Mr Earl will take up the post next year.

Number of homes with satellite dishes tops 800,000, study finds

By Raymond Snoddy

MORE than 100,000 satellite *dishes are estimated to have* been installed in the UK last month, taking the number of households receiving satellite television channels directly to above 800,000.

The growth in the market for satellite television comes in the latest FT Satellite Monitor, which has been tracking the progress of satellite television in the UK since Mr Rupert Murdoch's Sky Television was launched in February 1989.

Households watching British Satellite Broadcasting were identified for the first time in the survey of more than 4,000 adults. A total of 132 receiving households were found – six of them receiving the five channels of BSB. The number is, however, too small to be statistically reliable.

Last month's estimated rise of 104,000 – which has a mar*gin of error of plus or minus* 40,000 – takes the total to 801,000.

That is close to 4 per cent of households in the UK and means that multi-channel tele*vision is now available via dish* aerials to one in 25 homes in the country. Because satellite homes have an average of 3.5 individuals, that grosses up to a potential television audience of close to 3m.

Channels such as Sky, Screensport or MTV are also available through cable television networks.

The latest forecast by Continental Research, the market research company that produces the Monitor for the FT, is that there will be 1.3m dishes and Squarials by the end of the year.

The trend of future demand continues downwards. Since December, the number of people who say they will definitely or probably install satellite receiving equipment has fallen from well over 4m households to below 3m in May.

That will now probably change. BSB, a consortium in which Pearson, publisher of the Financial Times, has a substantial stake, launched a £20m advertising campaign at the weekend. BSB launched its national service at the end of April, but has been dogged by a shortage of receiving equipment.

Among households intending to install satellite equipment, Sky and the other Astra channels lead: 38 per cent of such households say they will chose Sky/Astra, 31 per cent opt for BSB and 31 per cent are undecided.

Cleaning contractors claim gains in NHS

By Alan Pike, Social Affairs Correspondent

CONTRACT cleaning companies in the National Health Service are strengthening their position against in-house workforces, the Contract Cleaning and Maintenance Association says in research published today.

The Association analysed NHS cleaning contracts after a report from public-service trade unions claiming that the practice of using contractors was proving unsatisfactory.

According to the association's research, 83 cleaning contracts were awarded in the NHS in the five months after November 1989 with 39 of them being won by outside contractors from health establishments' own teams,against only three losses.

A further 16 contractors had their contracts renewed while 15 other contracts changed hands between cleaning companies.

Mr John Hall, the association's secretary, said yesterday that health service trade unions were trying to distort the facts about the success of cleaning companies.

A recent document published by five unions with members in the health service analysed 84 cases of alleged failure to fulfil contracts by outside cleaning contractors.

Mr Hall said only 16 of the cases had occurred within the past four years. A number of the issues raised by the unions *had not been accepted as* contract failure by NHS managers. "Our analysis suggests that there have been only a few cases which were genuine failures."

Contractors have about 27 per cent of NHS cleaning work.

APPOINTMENTS

Changes at Air UK

■ Mr Bob Frost, managing director of AIR UK, has resigned for personal reasons. Mr Stephen Hanscombe, group managing director, will be taking on the immediate responsibilities for the day-to-day running of the company.

■ Mr Mike Flanagan has been appointed chief executive of the DEVELOPMENT BOARD FOR RURAL WALES to succeed Dr Iain Skewis who retires later this year, *writes Anthony Moreton.*

Mr Flanagan has been the board's director of finance since 1987. He was previously with Telford Development Corporation.

The Development Board was set up in 1977 to rejuvenate the economy of largely-rural Mid Wales. Mr Glyn Davies, *the board's chairman, said* "Mr Flanagan is just the man we want to translate the ideas of a young, lively board and an enthusiastic staff into action to help rural Wales."

Encouragement of an enterprise culture which would help bring greater prosperity to the area would be at the forefront of his thinking, Mr Flanagan said.

"The next few years will see the advent of the single market, the continuing problems within the agricultural industry, the need for more rural housing and the problem of depopulation."

■ ASYSTEL SPARTEX,the UK operating arm of Asystel Group, has promoted Ms Helen White *(pictured)* to sales director.

■ BENDICKS OF MAYFAIR has appointed Mr Ian Macintyre as finance director, replacing *Mr Ian Hotchen who* retires.

■ ECI VENTURES has appointed Mr David Wansbrough as managing partner. He succeeds Mr Tony Lorenz who died recently. Mr Wansbrough was previously a senior partner.

■ Mr Mike Riley *(pictured)* has been appointed area sales director-Northern Europe for HARRIS SEMICONDUCTOR. He succeeds Mr Geoff Hardern.

■ AK INTERNATIONAL BANK has appointed the following as assistant general managers: Mr Peter James and Mr James Chesters, formerly general manager, treasury and assistant general manager treasury respectively of Libra Bank. Mr James will become the bank's treasurer and Mr Chesters will be responsible for money markets.

■ PREMIER CONSOLIDATED OILFIELDS has made the following changes: Mr J.A. Heath is being appointed to the board as director of finance on July 1. He is group controller at Burmah Oil. Mr Gijs Verspyck is resigning as director of expoloration and production on July 1 to take up other activities.

■ Mr D.R. Jowett has been appointed works director and Mr K.A. Ramsden sales director of SMITH WIRES, a subsidiary of Arthur Lee & Sons.

■ GRANVILLE & CO, the private investment banking group, has appointed Mr Charles Arnold, a director of Unitech, as head of corporate finance. He will join the Granville board.

■ Mr Stuart Hallam has become sales and marketing director, communications systems at PHILIPS BUSINESS SYSTEMS. He was an account director for the BT businness unit.

UK NEWS

…wen resignation …gnals end of the …ad for the SDP

…on Smith

…ocial Democratic Party, …atrist political group, …ay voted to abandon its …ar attempt to break the … of British politics.

… party's 25-strong …al Committee voted by … wind up the party's … after a four hour emer… meeting in a first floor …ence room at a London …

… SDP, which was …ed in 1981 with ambi… …f opening up the centre … of British politics, will …e with only 6,000 mem… full-time staff of eight, …MPs and an ignominious …h place in the recent … by-election when it fin… seventh behind Scream… …rd Sutch's Monster Rav… …ony Party.

…David Owen, the SDP's … emerged from the meet… …termined to put the best … the party's descent into …al oblivion.

…ked by his two parlia…ry colleagues – Mr John …ight, MP for Woolwich …rs Rosie Barnes, the MP …enwich – Dr Owen said …ould work in parliament … team of independent … Democrats.

He indicated that any move towards the Labour Party would hinge on its commitment to proportional representation and constitutional reform. The SDP's plight has partly been caused by Labour's success in projecting a more moderate image.

The SDP was formed when Dr Owen left the Labour Party with the other members of the so-called Gang of Four, led then by Mr Roy Jenkins, the former president of the European Commission and Labour Chancellor, Mrs Shirley Williams and Mr Bill Rodgers, both former Labour ministers.

The first tensions emerged after the 1983 election when Dr Owen replaced Mr Jenkins as the party's leader, vowing to create a radical centre party politics, which critics accused of being "sub-Thatcherite."

After the 1987 election, which the SDP fought in an fractious alliance with the Liberals, Dr Owen refused to accept a full merger of the two parties.

A majority of the SDP's members joined the newly formed Liberal Democrats leaving Dr Owen with a dwindling band of loyal followers.

…vid Owen, with Rosie Barnes MP, yesterday

Union leader warns of wage rises and job losses in ERM

By John Gapper, Labour Editor

WAGE RISES which add to the costs of production will lead to job losses "like night follows day" when Britain joins the European Exchange Rate Mechanism, the leader of the second biggest British trade union said yesterday.

Mr John Edmonds, general secretary of the GMB general union, said membership of the ERM would prevent Britain devaluing sterling to offset the inflationary effect of wage increases which added to unit wage costs.

He said wage restraint agreements would not be possible under a future Labour government, but unions should instead concentrate on winning pay increases for members in exchange for productivity improvements.

Unions had in the past tried to retain work demarcations which limited the chance of members expanding their skills.

Mr Edmonds' remarks, on the opening day of his union's annual conference in Scarborough, on the English north-east coast, constitute one of the clearest union statements that wage rises not offset by productivity increases can lead to job losses.

He was speaking after delivering a speech in which he suggested that unions should help create "a new atmosphere of opportunity, where ingenuity is rewarded" rather than commit themselves to general wage restraint.

Mr Edmonds said a Labour government would have to establish pay arbitration mechanisms in the public sector to enable unions and managers to decide on pay independently once the government had allocated overall funding.

He said public sector unions, including the GMB, would have to resist an "elbow tugging, insider dealing" approach to public sector pay in which pressure was put on a Labour government if managers resisted wage demands.

He said most GMB members had "little chance of advancement, however hard they work." If more people could see a possibility of their pay rising through promotion, pressure on pay rounds would decrease.

Productivity up by 45% at dock

By John Gapper

THE ABOLITION of the National Dock Labour Scheme has led to an increase in labour productivity of 45 per cent at Hartlepool Dock after the port authority reduced the number of stevedoring workers from 198 to 114.

The port, on the English north-east coast, has replaced its former group of stevedores who carried out only legally-defined tasks, with a small number of craftsmen and a pool of "general port workers".

The port has recruited a new workforce after all its former registered dockworkers left under the statutory redundancy scheme established by the Government as part of the abolition of the Dock Labour Scheme, which guaranteed jobs for dock workers.

Mr Joe Rayner, personnel manager of Tees and Hartlepool Port Authority, said yesterday the new port workers had "exceeded the wildest expectations" of managers, reaching former productivity levels within two months of joining. Productivity measured as tonnage handled per employee had now rised by 45 per cent.

Thatcher welcomes Iran 'olive branch'

By our Political Staff

MRS Margaret Thatcher yesterday said Iran was holding out an olive branch which could lead to talks over restoring diplomatic relations and obtaining the release of the British hostages.

The Prime Minister's comments followed reports from Iran which suggested that if Britain were to condemn "the insult to Islam" contained in The Satanic Verses, by Mr Salman Rushdie, then progress might be possible.

Mr Sayed Hussein Musavian, an Iranian foreign ministry official, was quoted in a newspaper interview yesterday as saying: "We are seeking the further release of all hostages on humanitarian grounds."

He added: "If Douglas Hurd, the Foreign Secretary, would make it clear that the Government of the United Kingdom respects Islam and Moslems and condemns insults to Islam, which is what the Rushdie book did, the biggest obstacle to British-Iranian relations would be removed."

Mrs Thatcher said: "We have sometimes had false hopes raised before [but] it looks as though this is a significant olive branch put out to us."

Rented space shortage hits UK companies

By Lisa Wood, Labour Staff

THE LACK of rented accommodation in the UK compared to much of the Continent is one of the problems facing British employers seeking to relocating employees, according to Reward, the consultancy and training group.

Relocation of employees, with the almost universal practice of employers compensating employees if they are being relocated at the company's request, is one of the several areas examined by Reward in its survey of Employee Benefits.

Benefits had grown at all levels with many employers seeing an improved benefits packages as a response to the problems of skill shortages and demographic change, the report says. This was a shift from the position in the 1980s when the reduction in direct taxation and increasing taxation of benefits initiated a move away from benefits towards "clean cash."

Reward said there were several reasons for companies having difficulty in moving employees – from a lack of rented accommodation in which to put staff, problems in selling properties – with the bottom having fallen out of the housing market – and the career of a spouse.

On the latter Reward said a number of companies had reported such extreme difficulties "that they have virtually abandoned attempting to relocate personnel."

Reward said the average cost of relocating an employee within the UK was £10,000. For this reason it was not surprising that some employers stipulated that some or all of the relocation payments must be repaid if the employee left within a fixed period.

A reduction in the working week – with a steady decline in the contracted numbers of hours was also reported by Reward which said the trend was not so obvious during 1988-1989.

Noting the campaign by the Confederation of Shipbuilding and Engineering Unions, Reward said the issue had been a major problem facing employers in 1989.

● THE executive of the Confederation of Shipbuilding and Engineering Unions (CSEU) on Thursday will discuss how to extend its campaign for a shorter working week to GEC, the electronics and defence group.

GEC was outside the original group of companies targeted by the CSEU for its campaign. This was because GEC is not a member of the Engineering Employers Federation and the CSEU has no bargaining responsibility there.

BASE LENDING RATES

	%		%		%
…	15	Coutts & Co	15	Northern Bank Ltd	15
…Company	15	Cyprus Popular Bk	15	Nykredit Mortage Bank	15½
…Bank	15	Dunbar Bank PLC	15	Provincial Bank PLC	16
…Bank	15	Duncan Lawrie	15	R. Raphael & Sons	15
…bacher	15	Equatorial Bank plc	15	Roxburghe G'rantee	15½
…Cap Corp	15½	Exeter Trust Ltd	15½	Royal Bk of Scotland	15
…rchant Bank	15	Financial & Gen. Bank	15	Royal Trust Bank	15
…Baroda	15	First National Bank Plc.	16½	● Smith & Williamson Secs.	15
…lbao Vizcaya	15	● Robert Fleming & Co.	15	Standard Chartered	15
…dit & Comm	15	Robert Fraser & Ptnrs.	15½	TSB	15
…Cyprus	15	Girobank	15	Unibank plc	15
…Ireland	15	● Guinness Mahon	15	● United Bk of Kuwait	15
…India	15	HFC Bank plc	15	United Mizrahi Bank	15
…Scotland	15	● Hambros Bank	15	Unity Trust Bank Plc	15
…Belge Ltd	15	Hampshire Trust Plc	15½	Western Trust	15
…Bank	15	Heritable & Gen Inv Bnk.	15	Westpac Bank Corp.	15
…ark Bank PLC	15	● Hill Samuel	§15	Whiteaway Laidlaw	15½
…of Mid East	15	C. Hoare & Co.	15	Yorkshire Bank	15
…hipley	15	Hongkong & Shangh	15		
…Nederland	15	● Leopold Joseph & Sons	15		
…ouse Bank	15	Lloyds Bank	15		
…NA	15	McDonnell Douglas Bnk	15		
…rcnams Bank	15	Meghraj Bank Ltd	15		
…le Bank	15	Midland Bank	15		
…N.East	15	Mount Banking	15		
…ave Bank	*16	Nat Bk. of Kuwait	15		
		NatWestminster	15		

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Local management in schools

Why headteachers are now facing a learning curve

Christina Lamb reports on organisational changes in UK education

Overnight Sylvia West went from handling a yearly budget of around £45,000 to one of more than a million pounds. She had not just taken over a large company, nor was she a business executive who had just been promoted. In fact she had almost no accounting experience. At that time in 1983 West was headmistress of a Peterborough school – one of six involved in a pilot scheme – which had just been given control of its own budget.

A revolution is occurring in the British classroom. In Nuneaton, Manor House school is offering discount showers to parents who enrol their offspring. John Mansfield school in Peterborough is buying advertising *airspace on the local radio. A comprehensive* school in North Wales is making a profit of £40,000 a year after becoming a limited company – the first school in Britain to do so.

While the outcry over the introduc*tion of the National Curriculum* has contributed to the turmoil in teaching circles, the decision that from April the majority of schools in England and Wales should run their own budget has caused the biggest educational *shake-up since the Second World War.*

The Government's scheme, known as LMS (local management of schools), will transform heads with no accounting experience into executives handling millions of pounds; they will *have to learn management techniques* and ways of selling their product.

By 1993 local education authorities (LEAs) will have delegated responsibility for the management – including control of finances – to all secondary *schools and primary schools* with more than 200 pupils.

Headteachers will be in a strange position. Working in tandem with the board of governors, they will have complete responsibility for hiring and firing, appeals against unfair dismissal and any other complaints wil still have to go to the LEA.

Schools will carry the can for overspending on their budgets but will have no control over the amount they receive, most of which will come from LEAs on a per capita basis. Although more pupils means more money, schools will have little flexibility over how it is spent.

West, who is now the warden and head of Impington Village College which adopted LMS in 1987, points out that for a school of 1,000 children, her budget of more than £1.5m must cover staffing costs and overheads; after that only £71,000 is left. Of this exams eat up £22,000 and the balance must pay for postage, curtains, decoration and so on.

West complains that the capitation formula does not take into account the fact that in catchment areas with brighter children more exams are taken; she is worried that the introduction of the National Curriculum will mean even more being spent on exams, thus forcing cuts elsewhere.

Financing arrangements can widen social inequalities. Schools in wealthy towns pull in cash; they recruit financial wizards onto their boards of governors; they get contributions from parents and are able to charge high fees for leasing facilities for anything from wedding receptions to aerobics *classes.*

Moreover, basing the budget on pupil numbers will inevitably cause tension between local schools competing for children in areas of falling rolls. This happened in the town of Peterborough – where the first pilot schemes were held. Cambridgeshire – Peterborough's LEA – delegated budgets to six secondary schools and one primary school in 1982. In 1987 the scheme was extended to all 46 *secondary schools.*

LMS requires heads to change their role totally; they will have to learn even faster than their pupils. It means they will have to take on far more administrative responsibility – which *can in turn detract from their role as* director of the school.

Alan Atkins, headmaster of Cromwell College in Chatteris, finds himself spending four evenings a week at meetings and more than 50 per cent of *his time in the school on administra*tion – more than twice as much as before. "I regret that trying to cope with doing far more administration and keeping up my teaching commitment means that I no longer have *time to sit back and think about* the school in the way that I used to."

The desire to attract more pupils and thus increase the budget has changed the educational ethos; schools have to be far more conscious of the way they market themselves.

Atkins explains: "We are having to think of the school as a commercial enterprise. We see as important the way we present ourselves on printed matter sent to homes, getting publicity in the local paper and attracting pupils. Our way of looking at things has totally changed. For example, before we would never have dreamed of advertising but now if it costs £400 to take out an advert on the local radio, but it attracts two pupils each adding an extra £1,700, it's worth it."

The Impington Village College is constantly looking for ways to make money; it leases classrooms, sells advertising on the sides of its bus, and is currently considering becoming a limited company, providing high *quality printing.*

"We are much more into entrepreneurialism. Words like promotion and marketing have become common currency overnight. Entrepreneurialism must be part of the agenda and the whole staff must be geared up to it – but there is a fine balance. At the end of the day we produce people not products," says West.

West has set up a business management team and employed professional fund-raisers who are busy seeking sponsorships and running a drive to raise money for building a sports complex. Ancillary staff form the core of the team; many have had to expand their roles – the school secretary, for example, is also promotions officer.

All this has resulted in some success. A local business society is sponsoring a minibus, another firm is paying for sportswear in return for having its name displayed on jerseys, and another is sponsoring the school magazine.

Heads have had to become far more cost-conscious. West explains: "A leak in a shower has become a matter of much greater urgency because now we are having to pay for all that wasted hot water instead of it being lost in the LEA budget."

West is enjoying the challenge; she says it has forced her to move her performance up a gear and meant staff taking on new responsibility. "I don't try and make all the decisions; I see myself more as setting the direction and course. *It's a massive* opportunity to control and direct resources but having said that resources are very tight."

The government argues that under LMS heads gain greater freedom to *run schools; they are freed from the* bureaucratic inefficiencies or ideological whims of LEAs. The market forces which force schools to fight for pupils as a means of increasing their budgets are intended as a spur to excellence.

But Atkins points out there is little room for manoeuvre in improving the school: "If I get the six-monthly budget printout and see I'm overspending on teaching staff there is not much I can do, because I can't reduce staff till the end of the financial year. An awful lot of money is accounted for by the national curriculum; there are certain teachers and new equipment we must have."

Sylvia West: controls a budget of more than a million pounds

Though broadly in favour of the LMS scheme, Atkins believes the details have not been properly worked out: "There is great potential for divisiveness and damage. Previously if unpleasant decisions had to be made it was done at Shire Hall [base of the Cambridgeshire LEA]. Now we have to take them within the school and take the blame."

Both West and Atkins have found this means that there must be a more open environment. Atkins, who has been headmaster at Cromwell for seven years, explains that this can have its advantages. "I know much more about what's going on inside and outside the school than I ever *did." The staff are consulted far more* and a specially set-up staff finance committee meets to make recommendations before the governors' finance committee meets. West says: "If we had to make cuts the staff would be *asked for ideas first."*

Under the LMS scheme, the LEA is supposed to change from being a hands-on manager to taking an advisory role: allocating the annual budget, helping with long-term planning, *monitoring academic performance*, and providing back-up. However, West says that as she tries to raise funds, she finds increasingly that what she needs is legal and commercial, not educational, advice.

Both West and Atkins are concerned about the speed at which the change is occurring – most schools must adopt LMS by April 1993. West points out that the schools in the pilot scheme have been participating for almost a decade but they are still experiencing problems. Atkins complains: "It is not just a question of adopting the scheme; it's a whole new way of operating. Remember, we're starting from a base where people are just not used to the environment of decision-making. If someone is going to take on this extra work and responsibility there should be some comeback and feeling of achievement, but if one is in a situation where the LEA is constantly looking to save money, that's demoralising."

Not only does LMS create extra burdens on heads who are, on the whole, insufficiently trained to cope with it, it also places extra responsibility on governors. Every local authority school in England and Wales has a governing body which helps the head run the school. Members tend to be either local worthies who lack business nous or businessmen with no time for frequent meetings.

Some have suggested bringing in professional managers as has happened in the NHS, but Atkins rejects this: "We need people who have come up through the teaching world and *understand* what schools are trying to do."

Heads of the future face a tough management challenge; they will have to keep up morale and find new sources of revenue in a period of *dwindling finances.* Atkins feels he is running a business where the people controlling the money flow (the councillors) do not care about the finished product (the pupils). "In business, if, by investing in production costs, the *product can be made more attractive*, then the directors will agree. But in schools the people controlling the money are not selling a product but selling themselves to get votes."

Management abstracts

The recycled LBO: a second dose of leverage. *SE Cummings in Mergers & Acquisitions (US), Nov/Dec 89 (4 pages)*

Suggests that, when the owners of a company purchased through a leveraged buyout wish to cash in on the proceeds, other leveraged buyers may be the most willing *takers; identifies* the reasons for this – inter alia – if the company appealed to leveraged buyers first time round it is likely to do so again.

Dealing with the problem manager. *KM Golden in Personnel (US), Aug 89 (6 pages)*

Homes in on the manager who continually creates problems where none had previously existed and *who suffers* from personality problems. Cites some examples: the aggressive manager (loyal only to him/herself), the "stew-stirrer" (gossip, favouritism, not giving job definition) and several others. Identifies costs to the organisation in terms of the bottom line, because of turnover or dysfunctional *behaviour. Provides a case in* point of a manager suffering from insecurity and emotional dependence on his staff; considers options for dealing with him and options for the employee *working to the manager.* Advises that, at selection, greater attention should be paid to applicants' personalities in terms of self-worth, sense of humour, and emotional problems.

The return in the child-care investment. *C Ransom & others in Personnel Administrator (US), Oct 89 (4 pages)*

Suggests that the benefits to an employer of a child-care centre can be evaluated in terms of its effects on absenteeism, maternity leave, turnover, recruitment, work performance, morale and public relations; reports that when the Union Bank of California assessed the benefits of a recently opened centre based on these parameters, it estimated it was achieving savings greater than the operating subsidy it granted to the centre and sufficient, also, to repay the capital investment on the centre and facilities.

Company catering and the "branwagon". *K McDermid in Personnel Management (UK) Dec 89 (4 pages)*

Examines the trend towards healthy eating, and the way leading UK contract caterers are reacting to it – jumping on the branwagon. Stresses that healthy catering should not be a low priority for managers, but recognises there is still some antagonism from consumers.

Performance appraisal system: Deming's deadly disease. *RJ Moen in Quality Progress (US) Nov 89 (5 pages)*

It is Deming's view that appraisal systems (which nourish a win-lose philosophy) are extremely harmful. The proposition here is that they should be abolished because they satisfy neither the needs of employees nor managers, are costly, and impossible to administer because managers do not possess the correct skills, while there will always be an element of ranking people. Sees a need for appraisal to be ongoing and from various sources (peers, customers, whoever), to not be linked to salary and to be a co-operative exercise. Presents examples of good appraisal practice at, eg American Cyanamid.

How ready are your employees to be involved? *SJ Cabot in Supervisory Management (US) Nov 89 (4 pages)*

Presents a method of determining the required degree of employee involvement, depending on the present skill levels of employees. Entitled the "employee involvement readiness matrix", it is a two-step analysis and evaluation tool that relates a learning continuum (interpersonal relations, group process/problem solving, employee relations) to an employee involvement continuum (co-operative goal-setting, employee idea system, focused task forces...).

Computer viruses: protect and survive. *BJ Spaul in Accountancy (UK) Apr 89 (6 pages)*

Discusses the recent attention given to computer viruses and advises on the setting up of a structure of controls and standards to protect systems and help them survive if contaminated. Uses analogies with the medical profession.

No-nos in negotiating with the Japanese. *RM March in Across the Board (US) Apr 89 (8 pages)*

Examines practical difficulties in conducting business negotiations with the Japanese, among others, interpersonal communications, cultural misunderstandings, differences in tactical approach, and unwillingness to discuss detail; illustrates with a case example of a negotiation which fell apart.

These abstracts are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the original articles may be obtained at a cost of £5 each (including VAT and p+p cash with order) from Anbar, 62 Toller Lane, Bradford, West Yorkshire BD8 9BY

LEGAL COLUMN

Cryptic clue to the value a firm places on its lawyers

By Robert Rice, Legal Correspondent

THERE HAS BEEN much talk recently about the "greening of the legal profession", which I had always assumed meant that lawyers were busy jumping on the environmental bandwagon. I now know, of course, that it refers to the colour that the majority of the profession turned on reading that a medium-sized firm of City solicitors was advertising a partnership vacancy for a commercial property lawyer at between £100,000 and £300,000 a year.

The advertisement should not perhaps be taken completely at face value. *The firm*, which remains anonymous, is clearly trawling for commercial property lawyers right across the spectrum and will offer a partnership package *worth £300,000 only to someone* who has already achieved senior-partner status in another firm and who has a considerable reputation and following in the commercial property sector.

If, as seems more likely, the advert only succeeds in attracting lawyers at a junior-partner or senior-assistant level, the earnings package on offer is *likely to be nearer £100,000.*

One of the curious aspects of the advert is that a firm should be prepared to pay so much for a commercial property lawyer when there has been an undeniable *downturn in the entire* property sector.

There is perhaps an argument for saying that at a time when good-quality commercial property work is becoming *scarcer, it makes sense to* try and grab a bigger share of what is available by attracting the best commercial property lawyers to come and work for you.

No doubt, too, the firm concerned would argue that whoever gets the job will be expected to more than earn his or her keep by bringing in a substantial quantity of new work.

Nevertheless, £300,000 seems a great deal of money to be offering any property lawyer at the moment.

It makes you wonder what sort of money the big names in the corporate insolvency field could command, given the huge increase in corporate insolvencies and company liquidations in the first five *months of this year. Just how* much then do lawyers earn?

One thing that the advertisement does tell us is the range of partnership earnings for a medium-sized City law firm. That they are advertising the post at up to £300,000 suggests that such a salary is roughly what the senior partners in that firm are taking home. It seems most unlikely that they would bring in someone at a level of earnings higher than the firm's highest-paid partner.

At the other end of the scale, the firm does not appear to rule out the possibility of hiring a senior assistant solicitor, which suggests that £100,000 is roughly what first-year part*ners earn in this particular* firm.

First year partners can expect to earn about £100,000 rising to about £300,000 after 10 or 15 years. There are some exceptional individuals who command more, but they are few and far between. In general £300,000 is about top whack.

At the bottom of the heap we know what trainee solicitors *and assistant solicitors earn in the large City practices* because they publish the figures. Trainees starting this September with the top 10 can expect between £15,500 and £16,000 and first year, qualified assistants about £25,000.

All of which raises the question: if that is what partners in medium-sized City law firms get, how much do partners in *the top 10 firms earn?*

The answer is probably not a lot more. Size of partnership has never been a good indicator of what the top people take out. Indeed, in smaller firms *where partners have a bigger* slice of the equity, partners can draw as much as, if not more than, their counterparts in the larger firms.

Unofficial soundings suggest *that the figures in the advertisement* provide a pretty accurate picture of the earnings of partners in most of the top 10 City law firms at the moment.

First-year partners can *expect to earn about £100,000* rising to a cut-off point after 10 or 15 years of about £300,000. There are some exceptional individuals who command more, but they are few and far between. In general, £300,000 is about top whack for City lawyers.

At the bottom of the heap we know what trainee solicitors and assistant *solicitors earn in* the large City practices because they publish the figures. Trainees starting this September with the top 10 can expect to earn between £15,500 and £16,000 and first-year, qualified assistants about £25,000.

Two to three-year qualified assistants can command £40,000-plus and senior assistants – five or more years post-qualification – up to about £80,000.

How does that compare with average executive pay in the UK? According to a study of European executives' salaries carried out by European Remuneration Network and published in the FT's Jobs Column on May 23, the salaries of UK managing directors of organisations employing from 250 to 1,000 people were as follows: in the lower quartile, basic salary £45,000, total cash pay £51,581; median, *basic salary* £52,416, total cash pay £57,000; and in the upper quartile, basic salary £57,293, total cash pay £69,391.

For heads of finance the figures were: lower quartile, *£28,000 and £30,000*; median, £32,000 and £34,740; and upper quartile, £37,428 and £41,240.

So, by and large, solicitors – certainly commercial solicitors – do very well. As the boom years of the late '80s fade into memory, however, can they continue to pay themselves so much?

Although there is nothing yet to suggest that they may *actually have to take a pay cut*, there are sufficient signs of a downturn in work to suggest that salaries and partners' earnings may have to remain fairly static over the next two or three years.

Those firms which diversified during the good years may find it easier to buck the trend than those which grew fat on the go-go areas of corporate finance and commercial property alone.

Certainly, looking across the Atlantic – where lawyers are that much more open about *their earnings* – a trend towards some tightening of the belt appears to have begun.

Both the American Lawyer magazine and the National Law Journal reported recently that when New York's Skadden Arps Slate Meagher & Flom came to review associates' salaries for 1990, the partners claimed they were already paying the going rate for New York if the firm's pension contributions were included when calculating associates' pay.

In lieu of a rise this year, the firm offered associates the option of doing away with their pension plan in exchange for taking the money as *straight salary. The junior* associates, up to four years qualified, voted overwhelmingly to take the contributions – equivalent to about 5 per cent – as salary. However, the more senior associates were split and will vote again.

The associates complain that while first-year salaries of $83,000 (£49,270) match the going rate, in subsequent years they lag behind the rates paid by larger competitors such as Cravath Swaine & Moore, Davis Polk & Wardwell and Sullivan & Cromwell – the firms generally considered to be the top payers.

With a 5 per cent increase, a second-year associate will now earn $96,600, but that is still nearly $5,000 a year less than second-year *salaries* at Cravath, Davis Polk and Sullivan & Cromwell. A seventh-year associate at Skadden will earn $180,600, including the pension contribution, but that is still *between $10,000 and $14,400* less than seventh-year associates at the other firms.

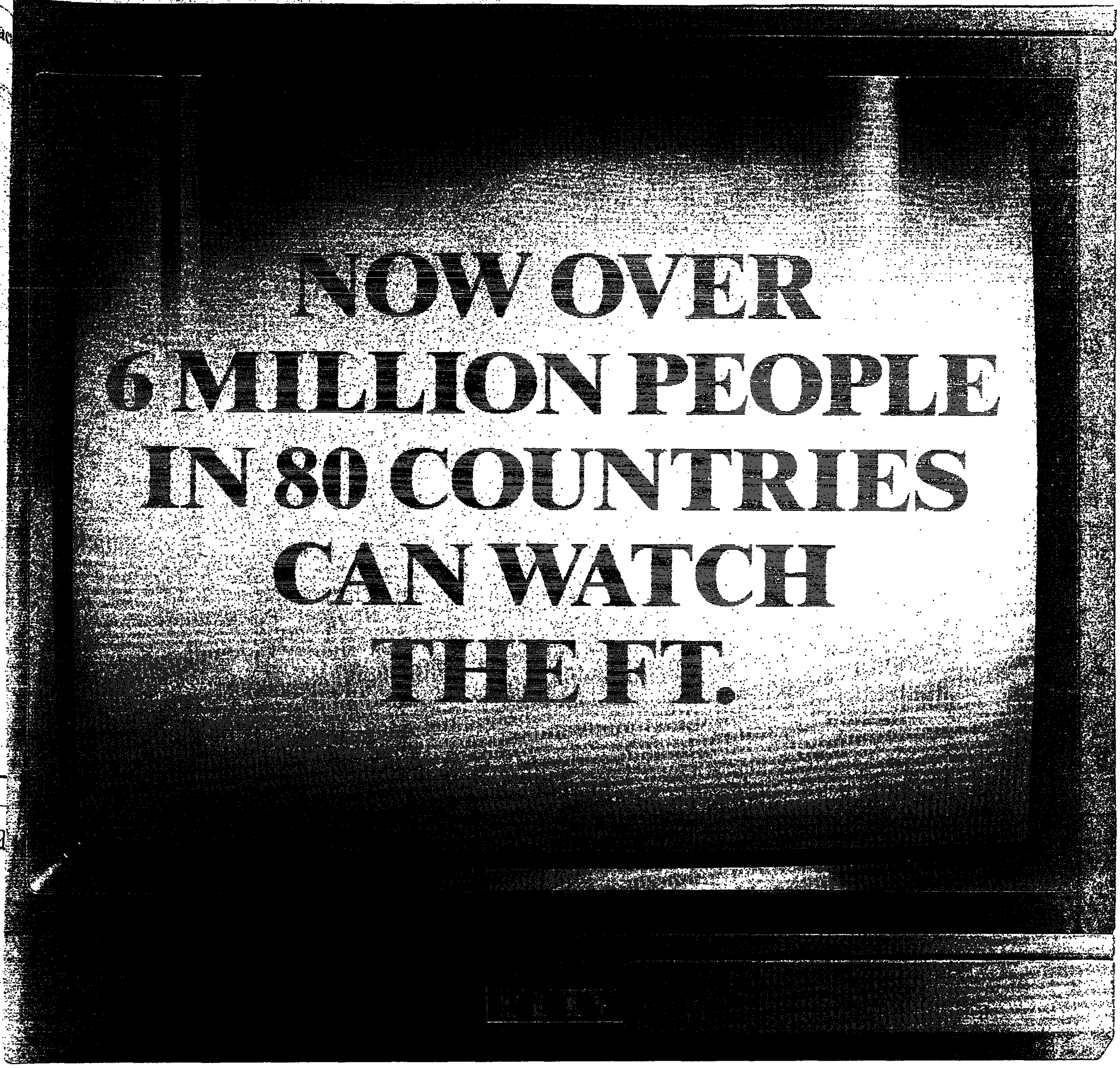
The American Lawyer estimates that by not matching the salaries of its 655 non-first-*year associates with those of* its competitors, the firm is saving as much as $4m a year – equivalent to 2 per cent of its 1988 net profits or about $18,000 for each of its 223 partners.

As one associate complained to the magazine, pension contributions were never before considered as part of salary. Partners "making a million dollars a *year are nickel* and diming us".

Cravath held a similar vote among its associates in March, but they opted to continue with the pension scheme.

Hard Times? You can begin to see what was at the back of Dick's mind in Henry VI, Part 2, act IV, scene ii.

"But methinks he should stand in fear of fire, being burnt i' the hand for stealing of sheep."



In recent months you may have found that you're an FT viewer as well as reader.

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The thirty minute programme is shown on CNN International and can be seen in over 6 million homes from Stockholm to Seville and in thousands of top business hotels from Bangkok to Baden-Baden.

So wherever FT viewers find themselves in the business world they can catch up with the news and information they need with "World Business Tonight".

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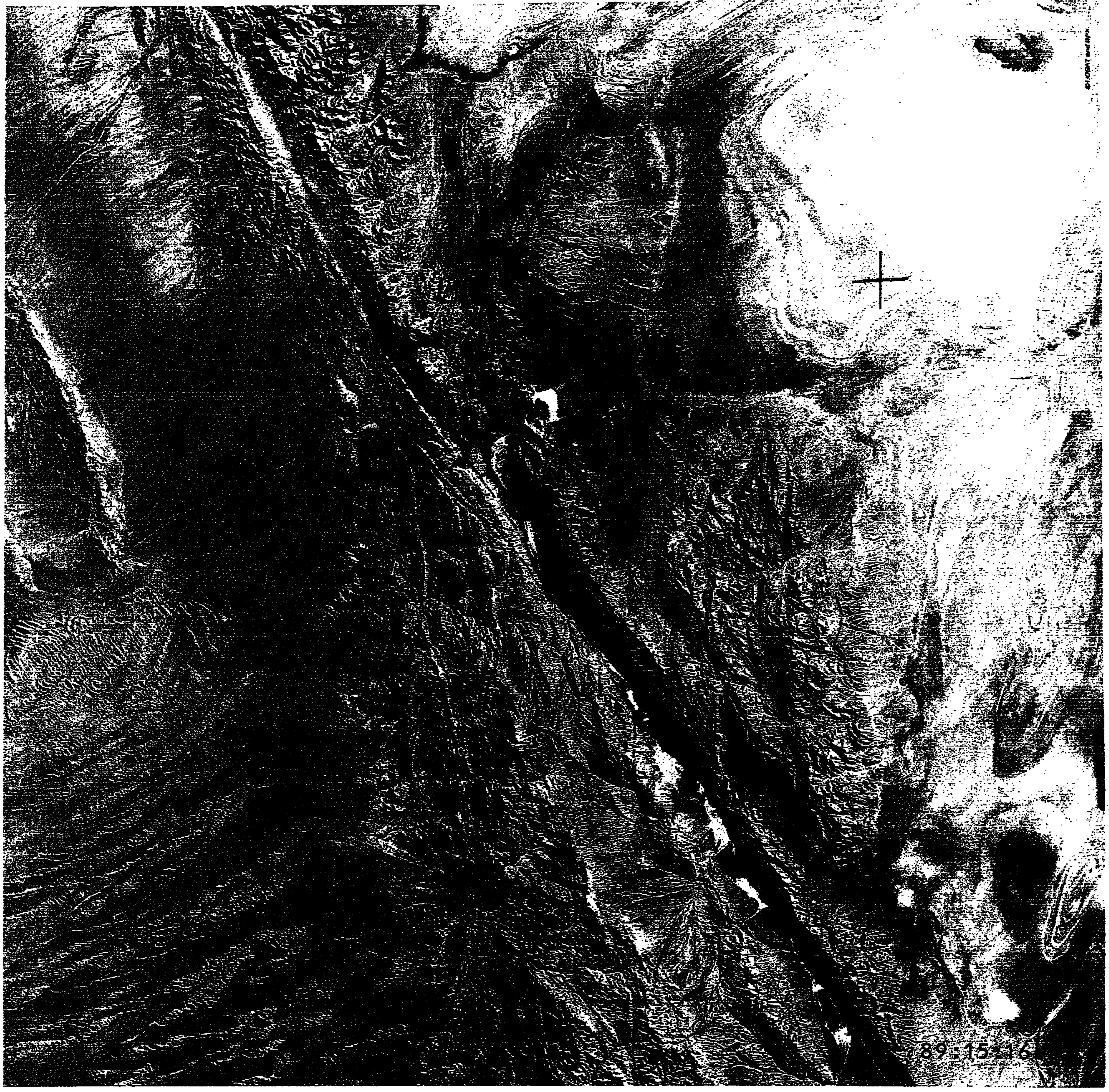
FT TV

EUROPE'S BUSINESS TELEVISION



BP has found oil in space.

Contrary to popular belief, space is not the final frontier.

We've been there for years, analysing satellite images of the earth's surface to help us find oil.

One such image takes in thousands of square kilometres. Allowing our geologists to single out areas of promise, based on the disposition of minerals and rock formations.

Satellite imaging isn't the only space-age technique employed by BP Exploration.

We've developed lasers capable of detecting microscopic amounts of oil. Because traces of oil seeping to the earth's surface can betray huge deposits underground.

Whatever the method of exploration, our mission is the same, to boldly go where no oil company has gone before.

Finding new energy reserves is just one of the things BP is doing today, for all our tomorrows.

BP

For all our tomorrows.

ARTS

ARCHITECTURE

...essons to be learnt ...rom a tropical climate

difficult for architects ing in the commercial to advance the art of tecture by experiment. I particularly struck by this ally unappreciated prob- when I met the architect Yeang in London recently. is well known for his rad- work in Malaysia, but of his ideas are equally cable to architectural opment in the west. Con- ation with a tropical cli- has concentrated his on the need for new ings to act as "environ- al filters:" this is not just hnological need but one determines both the form language of the architec-

mate has always deter- d the forms of traditional ings in the tropics. This a factor that was fre- tly forgotten by modern tects trained in the west imposed alien styles and nologies upon cultures for a "modern" and pro- ive image.

n Yeang and his practice, Hamzah and Yeang Sen- n Berhad) have designed remarkable buildings in ysia. He has been fortu- with his clients as some of have enabled him to riment on a large scale. of the major preoccupa- of this architect has been high rise block which, ugh now widespread, is in no way indigenous to the Malaysian region.

The skyline of Kuala Lumpur today shows the soaring results of the incredible building boom of the 1980s. Mrs Thatcher expressed her delight at the appearance of the new city skyline and enthused about its cleanliness, but her views on the appropriateness of air conditioned buildings that guzzle expensive energy are not recorded.

Ken Yeang's first high rise was built in the mid-1980s, the Plaza Atrium in Kuala Lumpur. As a response to the tropics, the atrium area is not inside the building but between the inside and the outside – adapting the idea of a wide colonnade to the vertical high rise.

The high space is roofed by a filter of louvres that allows hot air to escape and sunlight to be diffused.

In his subsequent high rise, the recently completed IBM Plaza, Yeang has been much more adventurous. He has achieved the greening of a skyscraper by the creation of a 24-storey diagonal garden that clambers from balcony to balcony the entire height of the block. With the application of automatic watering Yeang has been able to ensure that it remains green.

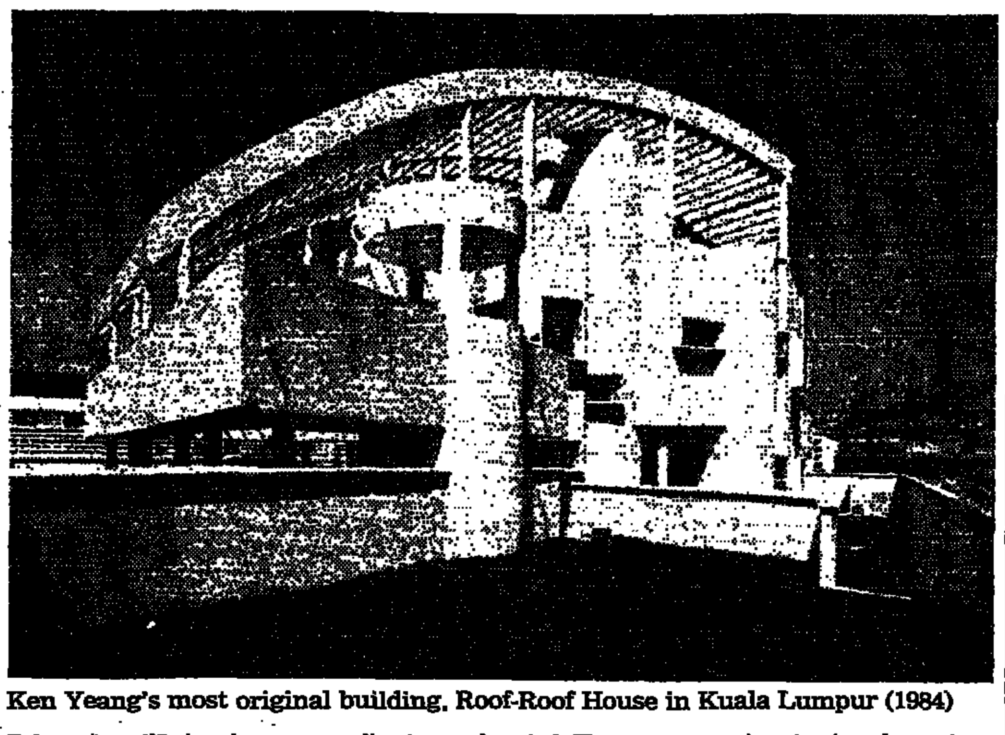
IBM Plaza is adventurous in other ways, too. By projecting floors above one another somewhat like a displaced pack of cards, Yeang breaks the surface of the normally smooth block and enlivens it. Shading from the intense sun is also provided this way. By placing his towers of lifts and stairs on the east and west sides of the building, cooling shadows are cast and the offices can be oriented north/south to maximise coolness.

The large quantities of planting help to insulate the walls of the block and thus save energy. The views from the offices on to the planted terraces are also extremely attractive.

The idea of the planted skyscraper is not new: Roger Ferri in New York designed, some time ago, a spiral tower grandly and extensively planted on a rising ramp of terraces.

Yeang has also challenged the zoning conventions of city planners in a way that certainly offers salutary lessons to London planners. In his Northam City project near Penang a 24-storey block is divided between offices, residential and a "town club" on the top four floors. This facility should surely be emulated widely. There is a swimming pool, squash courts, restaurants and bars that are extremely well used.

How long can we continue to build acres of cities that are dedicated solely to the office?



Ken Yeang's most original building. Roof-Roof House in Kuala Lumpur (1984)

Token "retail" is about as much as the average British estate agents will contemplate *to enliven the office desert.*

Ken Yeang's most original and exciting building is his own house in Kuala Lumpur. Climatic factors shape the building. He calls this house the Roof-Roof house because it is dominated by the great oversailing open louvre roof that spreads above the flat roofs and pool terrace of the house beneath; the baffle of the louvre roof provides a constant dappled shade on all the terrace areas. The outer curved roof is the solar filter for the entire house, within which there are moveable elements that create a micro climate adjusting to the wind. The prevailing wind from the south east blows over the swimming *pool and is cooled.*

The house owes a lot to the white architecture of Le Corbusier and the work of later practitioners like Richard Meier in the US. The whiteness and simple geometry is highly appropriate to the climate where intensity of shadows adds a fourth dimension to architecture.

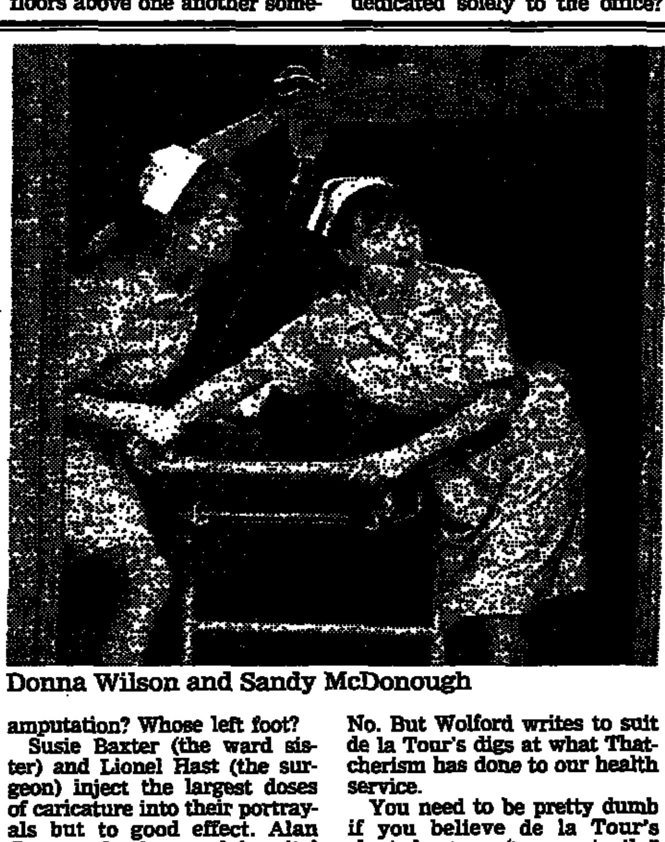
Yeang's work is known in Britain mainly through his visits and lectures. It is clear that he offers some practical and useful experimental ideas. He has looked afresh at the sealed glass box with its dubious thermal performance and offered some imaginative alternatives. As awareness of climatic changes grows, perhaps the *conventional vast high rises* currently under construction throughout the world are quickly going to look out of date and greedy for scarce energy.

The prospect of giant projects like London's Canary Wharf rapidly becoming white elephants is a real one. No developer wants to take huge architectural risks on such a large scale but the time has surely arrived when some careful experiment, perhaps on the Malaysian model, would be in order.

Colin Amery

...afe in ...ur Hands

...ST YORKSHIRE ...YHOUSE



Donna Wilson and Sandy McDonough

no pushover for hospital edy, least of all one with a ical axe to grind. One of a hospital ward, and I half Marguerite Gauthier ill half), half Florence tingale.

the set alone for this a complex master-blend tailed evocation and satire ran Thompson, overcame t once. The ward and cor- s; the sister's and hospital ager's offices; the lift, the walls: they're all perfect. in perfect hospital letter- there are the names of the is – Gallipoli, Somme, kirk. (This one's Passen- A sign points the same to both Cafeteria and Mor- y.)

e play, a gloriously black , is a staff-nurse worm's view of current National th inhumanity. Ill patients lled out of bed too soon; a placent smoothie surgeon ing a cigar as he walks the operating theatre; a etically incompetent hospi- manager, tie tucked into his , boasting "We're up to enth in the District effi- cy league;" his wife, the gry-basilisk ward sister, ng an affair with the sur- .

ese are the premises of *in Our Hands*, which is de la Tour's third play r winning second prize in LWT new plays competi- *last year, this is its world* niere).

is brilliantly ingenious, n the plot, with convul- ly funny flights of horror, s off. The cases of the mis- visitor, of the mistaken nded hero, of the mistaken or. Which patient? Whose her? Whose visitor? Whose se? Whose gangrene? se operation? Whose amputation? Whose left foot?

Susie Baxter (the ward sister) and Lionel Hast (the surgeon) inject the largest doses of caricature into their portrayals but to good effect. Alan Cowan (the harassed hospital manager) and *Sarah-Jane* Holm (the staff nurse) and the others all deserve praise. Jude Kelly has rehearsed everything. Though some ensembles are at present more amusing for clockwork intricacy than as spontaneous mayhem, this production is already an uproarious mix of realism and out-of-hand shock comedy.

"In the spirit of Aristophanes, the political farce *exposes the public deceivers* amongst us," claims a regrettably dull programme essay by Julian Wolford.

But dramatists can be as economical with the truth as politicians and civil servants. Plays do not expose, they merely portray. Were Euripides and Socrates "exposed as public deceivers" just because Aristophanes lampooned them? No. But Wolford writes to suit de la Tour's digs at what Thatcherism has done to our health service.

You need to be pretty dumb if you believe de la Tour's slanted set-ups "expose truth." *But is his portrait of the* Health Service true?

The play's worst creep is the surgeon: he's sold his soul to the cause of private health. He'll do arterial bypass work to save a gangrenous private health foot, but will only amputate a National Health one. At first, these exaggerations don't much help the play's political bias. (As comedy, it seldom palls.)

De la Tour however, dares to go on exaggerating. And his masterstroke comes when, in a crazed fantasy, the surgeon describes his producer-consumer health schemes in Darwinian-Nazi terms. This medico ends up on a table-top, proclaiming "The survival of the fittest!"

Alastair Macaulay

Berlioz Requiem

FESTIVAL HALL

Once in every generation we should have the chance to hear Berlioz's *Grande messe des morts* performed with its full forces at Saint-Louis des Invalides in Paris, for which it was conceived. In the great central cross of the building the four brass bands and 16 timpani could be laid out as the composer intended and the work attain the heights of aural magnificence to which it aspires.

This is a Requiem for special occasions and the Festival Hall performance on Friday met at least that requirement. The concert, not part of a regular series, was given in aid of The Samaritans and Befrienders International. Serge Baudo, founder of the Berlioz Festival in Lyon, had been engaged and there was every hope that the musical standard would rise to the occasion, even if the venue itself could not.

The Festival Hall is a poor substitute for the chapel of the Invalides – too short a reverberance, too sharp a clarity. But an attempt was made to meet Berlioz's other demands, with the brass bands placed two on each side and eight timpanists (half his optimum total) ranged along the back of the platform – easily enough *volume for a hall of this size*, especially for those sitting in the stalls.

At such an event it is difficult to make criticism of performers who have given their services. But it has to be said that the choral singing of the combined Pro Musica Chorus and London Choral Society left a lot to be desired. Entries and intonation were often suspect, especially among the tenors, *and sections such as the opening* of the "Quid sum miser," where the music should unfold with serenity, teetered instead on the brink of a precipice.

The Young Musicians Symphony Orchestra fared better and seemed to have profited from work with a conductor who has an innate feeling for how Berlioz at his most idiosyncratic should be shaped and felt.

Nothing that Baudo did was emptily marmoreal or inexpressive: the radiant "Sanctus," sung in a light and appealing head voice by Vernon Midgley, was only one *movement in which the conductor's* keen ear for Berlioz kept interest in the performance as a whole alive.

Richard Fairman

Young singers

PURCELL ROOM

This is the fifth year that the London International Opera Festival has promoted an evening in which some promising young opera singers can show their paces. The four who were originally lined up for this year's recital on Saturday have already started to make names for themselves, but a last-minute shuffle of performers turned up a welcome joker in the pack.

*The soprano Maureen Brath*waite set proceedings off to a lively start. With a winning smile and a vivacious personality she has found the way to capture the attention of an audience and the voice, already tested in the Coliseum when ENO revived *Hansel and Gretel* at Christmas, fills the Purcell Room with ease. The top of her voice is especially attractive, soaring out freely in Bess's "My man's gone" and the Jewel Song from *Faust*.

It is not easy at an event like this to give the feeling of a real opera performance. The extracts are too short and a pianist (Christopher McCracken) is no substitute for an orchestra. But on this occasion we seemed even further from the opera-house than usual because only Miss Brath*waite really looked and moved* like an opera-singer, noticeably so when she came to duets with the other two scheduled singers, Harriet Roberts and Neal Davies.

In purely vocal terms they showed their strength in solo work: Roberts displaying an easy upward extension to her mezzo and Davies making a stalwart job of his aria from *Simon Boccanegra*. Then on came the substitute tenor and any feeling of safe routine was swept aside.

Nerves had inconveniently turned Julian Gavin's body into a prison for the evening, but the voice that was locked inside is a brilliant tenor that rings out with exciting, trumpet-like clarity.

The programme ended with the quartet from *Rigoletto* and *it was Gavin's singing, bright* and clear, carefully schooled, even if he was pushed close to his limits by the demands of this piece, that one went away remembering. It will be interesting to see how this young Australian fares when he is not being thrown in to sing at a hour or two's notice.

Richard Fairman

SPONSORSHIP

BBC plugs into electricity

This week the BBC's newly discovered enthusiasm for sponsors as a source of extra funding finds expression in the BBC Design Awards, devised in *co-operation with the Design* Council and sponsored by National Power, which should be a privatised electricity generator some time next year. Viewers will be encouraged to vote for the designs they think deserve one of 15 prizes.

One award category is the environment, an area of much concern to National Power, which, like most privatised companies, is planning to spend heavily on sponsorship. A budget of more than £1m will be divided annually between environmental improvements, the arts, and local community projects.

A substantial £450,000 has already been earmarked for the arts through the National Power World Piano Competition, to be held in London in June 1991. Sixty pianists, ideally from everywhere, will compete for a £10,000 first prize, plus concert engagements and scholarships for the finalists.

If the judges are swept off their feet by the winner, they can also award him, or her, a Steinway *grand piano, which* retails at £25,000.

The Piano Competition will be held in London every three years and is designed to acquire the prestige of the Chaikovksy in Moscow, the Chopin in Warsaw, and the Queen Elizabeth in Brussels.

It will not compete head on with the Leeds Piano Competition, sponsored by Harvey's, which takes place this year. The "London" is intended to give the capital's undoubted dominance as an international music centre a higher profile.

Another match between the BBC and privatised electricity will be sealed in the summer when Manweb, the generating company for the north west of England, will sponsor a tour of Wales (where the water comes from) by the BBC Symphony Orchestra. In addition, Manweb is backing the Royal Liverpool Philharmonic's Proms.

The BBC's commitment to sponsorship is underlined by its appointment last month of a *sponsorship consultant*, Wendy Stephenson. Her first task is to seek business support for performances by its four symphony orchestras, for the Proms, and for recordings. She is devising the most effective package and will be ready to discuss specific projects with companies next year.

Much interest has already been shown in the Albert Hall Proms, which the BBC would ideally like to offer to one sponsor. But any company taking on this high profile event will also be expected to help the four orchestras over the year rather than just *exploit the publicity from the* Proms. The bottom financial line is likely to be £2m.

Sponsors will be hoping for more flexibility from the BBC. Its first major venture, the Lloyds-backed "Young Musician of the Year" competition, gave the bank three plugs an hour. The IBA has an agreement offering companies six plugs. There is room for movement here. Mrs *Stephenson worked for many* years with the Edinburgh Festival, and is drumming up sponsors for Glasgow's Year of Culture.

★

The importance of a sympathetic chairman in developing arts sponsorships has been proved once again, at Texaco. One of the first decisions of the new UK chairman, Peter Bijur, was to boost the oil company's involvement in the UK, which had been confined to local support in Scotland and Wales. Anthony Fawcett Associates was commissioned to come up with ideas.

The first significant sponsorship will be a Texaco Endowment for the London City Ballet. This is worth a basic £100,000 a year and will pay the salaries of a lighting designer and a ballet mistress, among other help. As much again will be spent on promotion.

Texaco is also moving into the visual arts with a £50,000 sponsorship of *The drawings of Jasper Johns* exhibition which arrives at London's Hayward Gallery in November. The main international sponsor for this show, which has just opened in Washington, is Ford, *another company* which, like Texaco, has traditionally invested more in the US than in the UK. A much more substantial Texaco arts venture is planned for 1992 when the company moves to new headquarters in Docklands.

★

The slowdown in economic growth is obviously also slowing the rise in sponsorship expenditure but there are still areas with potential. Theatre seems to be the current favourite. Leaving aside the renewal by Royal Insurance (at a cost of £2.1m over three years) of its backing for the RSC, a link which has more than justified itself through *media attention alone, there is* news of three more drama projects.

Barclay's New Stages, which supports new work by "fringe" drama companies, has paid out its first £87,500 to 10 companies from 250 applicants. Among the recipients are Forkbeard Fantasy of Devon; the Sheffield-based Forced Entertainment; Lumière and Son; the black Smile Theatre; and Yorick.

A new sponsor, at least to London, is United Distillers, the spirit side of Guinness, which has itself started to support the arts heavily. United Distillers is putting £250,000 over three years into the Lyric Theatre in Hammersmith, where it operates. In addition, the company's workforce will be given the opportunity to attend *special preview performances.* The first play to benefit from the aid will be a version of Malory's *Morte d'Arthur*, which opens in July.

A softer drinks company getting involved in the theatre is Aqua Libra, which is backing Shared Experience in its new production of Pinter's *The Birthday Party*, and its autumn tour. The money is not much more than £20,000, but it *will help Aqua Libra to* re-position itself, switching its marketing appeal mainly from women and towards young trendies.

Holsten Pils withdrew its £100,000 funding of the London International Comedy *Festival* in the spring but it is still going for laughs. It is helping the forthcoming tour by the Cambridge Footlights and today opens its own show *Holsten Live* at the Playhouse Theatre in London. It stars the cult comedians Emo Philips and Judy Tenuta, and after a two week West End run will go on tour.

★

The interest of the Prince of Wales in ABSA, of which he is now patron, can be seen in a new ABSA award to be included at the annual prize giving next winter. It will go to the company that has contributed most to the arts and urban regeneration in 1990. ABSA is keenly aware that, as green issues and the environment make demands on the corporate compassion budget, *the arts must show* that they have a role to play in the caring nineties.

★

In an innovative move, ADT is to sponsor a public relations company. Belinda Harley handles the publicity for the Prince's Trust, the umbrella organisation which looks after all the Prince of Wales's charitable activities. ADT (also a large sponsor of London City Ballet) is putting up £100,000 to ensure that the press and public relations is well done.

★

But can you make arts sponsorship work for you? One imaginative, and very cheap, scheme has been concocted by the Salisbury estate agents, Myddleton and Major, which got together with local clothier, Chas H. Baker, to sponsor a costume exhibition at the Salisbury and South Wiltshire Museum.

Anyone inquiring about a house on the agent's list received the details, along with information about the costume show and a free ticket. The *clothes shop also gave free* tickets to regulars.

★

A big new arts sponsor is Siemens, which is taking advantage of *glasnost* by sponsoring *Leningrad in Manchester*, shows by seven Soviet artists at the leading Manchester galleries and the Siemens HQ, from mid June. As a first time backer of the arts, the £100,000 from Siemens has attracted an extra £25,000 under the Business Sponsorship Incentive Scheme.

★

IBJ International, the Japanese bank which by some reckonings is the largest in the world, entertained *800* guests, over a third of the audience, at a performance by the London Symphony Orchestra at the Barbican last week.

The importance to the LSO *was not the £12,000* sponsorship but the fact that it has attracted the attention of such a prosperous patron, and such an influential audience. Having a Japanese vice chairman on its board is obviously a shrewd move. Last year, the LSO got Japanese Airlines to back its production of Bernstein's *Candide*.

★

IBM is to sponsor three new one act ballets by the new Birmingham Royal Ballet (formerly Sadler's Wells Royal Ballet). The ballets, by Ashton, Bintley and Balanchine, will be unveiled at the opening gala first night at the Birmingham Hippodrome on October 20.

Antony Thorncroft

ARTS GUIDE

June 1-7

MUSIC

London

Berlin Philharmonic Orchestra conducted by Daniel Barenboim, playing Mozart and Bruckner (Mon) Royal Festival Hall. (071 928 3002).
Guildhall Symphonyy Orchestra conducted by Christopher Seaman playing Beethoven Symphony No 5. Guildhall School of Music and Drama (Wed) (071 638 8891)

Paris

Ensemble Orchestral de Paris. Schubert, Schumann, Lee, Strauss, Debussy (Tue). Auditorium des Halles (40282828).
Isaac Stern (violin), **Yo Yo Ma** (cello), **Emanuel Ax** (piano). Brahms, Shostakovich, Beethoven (Thur). Chatelet (40282828).
Orchestre National de Lille and Städtischer Musikverein zuDüsseldorf conducted by Jean-Claude Casadeeus with MontserratCaballe, Gerard Garino, Jose Van Dam. Berlioz (Thur). Théâtredes Champs Elysées (47203637).
Orchestre National de France, Radio France Choir conducted by Lorin Maazel. Verdi, Tchaikovsky (Thur). Salle Pleyel (45638873).

Essen

Ex Machina 90. The Essen Folkwang University's section for electronic media and computer music, and the Ruhr Foundation of Modern Music are jointly staging Ex Machina 90, an international festival for electronic and computer music from June 6 to 10. The Essen studio, now 20 years old, is one of the most important and oldest in Germany. It has established a name in the US and all over Europe. The festival reflects on 40 years of electronic music history and offers compositions from the four decades. There will beperformances by musicians from four countries. Among the artists are: Karlheinz Stockhausen, Gerhard Staebler, and Dirk Reith. Discussions and tape sessions round off the programme. Essen, Folkwang-Hochschule Klemensborn 39 (0201/4903-170).

Milan

Mino Bordignon conducting choral works by Brahms, Shostakovich, Hindemith, Armando Gentilucci, Flavio Testi and Goffredo Petrassi (Mon). Teatro Alla Scala (80.91.26).

Rome

Luciano Pavarotti, Jose Carreras and Placido Domingo in a joint recital (on the eve of the opening of the World Cup), with the orchestras of the Florence Maggio Musicale and the Rome Teatro Dell'opera (Sat). Terme di Caracalla (Rome 46.17.55; Florence 2779236).

Florence

Edita Gruberova singing Dvorak, Mendelssohn and Strauss, accompanied by Friedrich Haider (Fri). Teatro Comunale (2779236)

Naples

Carlo Maria Giulini conducting the Scala Philharmonic in the opening concert of Salvatore Accardo's splendid Settimane Musicali Internazionli, playing Schumann, Ravel and Stravinsky (Mon). Teatro San Carlo (7612857).

Madrid

Barry Douglas (piano). Prokofiev, Shostakovich, Liszt (Fri). Auditorio Nacional de Musica (337 01 00).
Spanish Chamber Orchestra with Victor Martin (conductor and soloist). Boccherini, Mozart, Vivaldi (Tues). Auditorio Nacional de Musica (337 01 00).
Arturo Pizarro (piano). Beethoven, Chopin, Rachmaninov (Wed6). Auditorio Nacional de Musica (337 01 00).

Barcelona

La Capella Reial de Catalunya. Artistic director JordiSavall. F.Valls, Handel (Wed). Basilica de Santa Maria del Mar (215 12 14).

New York

Elizabeth Rich piano recital. Bach, Schubert, Chopin (Mon). Alice Tully Hall, Lincoln Center (874 6770).
Itzhak Perlman (violin), **Pinchas Zukerman** (viola), **Lynn Harrell** (cello). Beethoven (Wed, Thur). Kaufmann Hall (427 6000).
Manhattan Philharmonic conducted Will Kesing. Menotti; John Keenan conducting. Verdi (Tue). Carnegie Hall (247 7800).
Jose Carreras tenor recital with Lorenzo Bavaj (piano). Mixed programme (Thur). Carnegie Hall (247 7800).

Washington

National Symphony Orchestra conducted by Mstislav Rostropovich. Glinka, Deak, Makris, Doppler, Gould (Tue); with Oratorio Society of Washington directed by Robert Shafer. Rimsky-Korsakov (Thur). Kennedy Center Concert Hall (467 4600).

Chicago

Chicago Symphony Orchestra conducted by Klaus Tennstedt with Ray Still (oboe). Mozart, Strauss (Tue); Klaus Tennstedt conducting, with Arleen Auger (soprano). Haydn, Mahler (Thur). Orchestra Hall (435 6666).

Tokyo

Vienna Mozart Chamber Symphony. Mozart Abend. Orchard Hall (Mon) (545 9348).
Marc Laforet (piano). Debussy, Chopin, Beethoven. Suntory Hall (Wed) (461 4631).
Juilliard String Quartet. Haydn, Sibelius, Ravel. Casals Hall (Wed) (403 9999).
New Japan Philharmonic Orchestra conducted by K. Koizumi. Berg, Respighi. Bunkamura, Orchard Hall (Wed). Tokyo Bunka Kaikan (Thur) (499 1531).
NHK Symphony Orchestra conducted by Jean Fournet. Debussy, Mozart, Tomasi. NHK Hall (Thur) (465 1781).

FINANCIAL TIMES
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Monday June 4 1990

The Germans will decide

THE fuss made about a bilateral summit between the leaders of the US and the Soviet Union is beginning to look rather artificial. The meeting which ended yesterday, though important, was only *one in a crowded diplomatic* calendar for both participants. It marks a stage, but only a stage, in a drama which now has many actors.

The two presidents had already proclaimed the cold war at an end when they met *in Malta six months ago. Much* of the business they transacted this time was essentially concerned with translating that statement into practical detail. Even so, it was incomplete. Several issues have still to be resolved before a strategic arms reduction treaty can be signed. More significant, perhaps, are the caveats expressed by the US side about the commercial treaty, which Mr Baker said would not be sent to the Senate for ratification until the Soviet Union has passed a law guaranteeing free emigration, *and which in any case is most* unlikely to be ratified while Moscow is still applying economic sanctions to Lithuania.

What this means, in effect, is that the Soviet Union is still on probation. No one now disputes that under Mr Gorbachev there has been a spectacular transformation not only of its foreign policy but also of the way it treats its own citizens. But before doing away with all the paraphernalia of cold war the US wishes to be assured that this transformation is complete and irreversible. So *long as the Soviet Union treats* emigration as a privilege to be granted or withheld by the state rather than a legal right, and so long as it insists on the legality of Stalin's forcible annexation of the Baltic republics, it will not be a state with which the US feels able to maintain entirely normal and friendly relations.

Very survival

Some may argue that it is absurd to quibble over such points, which but for Mr Gorbachev *would not even be on* the agenda, when his very survival in power appears to be at stake. But it is dangerous to personalise international relations to that extent. Whatever degree of gratitude, admiration or sympathy the West may feel towards Mr Gorbachev, it is not with him personally but with the Soviet Union and its component peoples that relations have to be conducted. If those peoples decide to maintain their union under his leadership, it will be a pleasure for the rest of the world to continue doing business with him. But it is in no one's interest for the West to appear to be trying to prolong his rule by sacrificing the right of Soviet citizens *to decide their own destiny.*

Security arrangements

Meanwhile, there are plenty of international issues which can and must be dealt with whether or not the US grants *most favoured nation status to* the Soviet Union, and for that matter whether or not Mr Gorbachev remains in power – though they will certainly be affected by the presence or absence of a stable and self-confident Soviet leadership. The most pressing of these issues is now clearly the security arrangements for a united Germany. The "internal" process of German unification proceeds by leaps and bounds, and Chancellor Köhl is now determined to complete it by the end of the year. Yet he and his *western allies firmly rejected* last month's suggestion from Mr Shevardnadze that the "external" process could be uncoupled from it and allowed to mature over a long period. That would mean prolonging the rights of the four "victor powers" into the lifetime of the united German state, which would thus not be fully sovereign – and in fact not fully united either, since one of the unresolved external aspects would be East German membership of the Warsaw Pact.

So the question of Ger*many's security alignment has* to be settled this year. But Mr Gorbachev has still not reconciled himself to settling it in what seems, to western eyes, the simplest and most "natural" way, which is that the Federal Republic's international commitments, to Nato as well as the EC, would be unaffected by the adhesion to it of the East German Lander. "Why not let the Germans decide?" he apparently asked Mr Bush on Friday, as though he did not realise that the US position all along has been to *insist on the Germans' right to* choose their own alignment.

That is the right question, but Mr Gorbachev is still trying to hedge around the answer with conditions, still not clearly worked out, about new security arrangements for the whole of Europe. The West is not opposed to these, provided they do not involve dismantling Nato. But it is surely time they were discussed in a more specific and structured way.

Real social democrats

THE recognition by Dr David *Owen that his rump Social* Democratic Party has no further life in it is a constructive decision by a politician whose principal characteristic has always been his single-minded determination to go his own way, even if the consequences for those who support his general programme are adverse. It probably draws a line under the political career of an individual whose influence and actions have been of some significance during the past decade. But it does not mark the end of social democracy in *British politics*

Just nine years ago Dr Owen was one of the original 'gang of four' who broke away from a Labour Party that was at the time hopelessly in thrall to the trade unions and committed to left-wing and unilateralist policies. He was not then the most popular of the four, that was probably Mrs Shirley Williams. He was not then the most distinguished of the four: that was certainly the former Labour Chancellor, Mr Roy (now Lord) Jenkins. Dr Owen did, however, possess the youth, glamour and sharp intelligence necessary to get himself elected leader of the new party, which he quite soon did.

Resulting schism

The fortunes of the SDP subsequently became inextricably bound up with the personality of its new leader, with ultimately disastrous consequences. For Dr Owen was unable to disguise his contempt for the Liberal Party, even when it fought in alliance *with the SDP. The resulting* schism no doubt contributed to the failure of the Alliance to snatch second place from Labour in the 1987 election, which it should have been able to achieve at a time when Labour's policies were still repugnant to many centre-minded voters.

After the 1987 election the Liberals proposed a merger of the two Alliance parties. Had it gone through smoothly, Dr *Owen might have become the* leader of a formidable new force in centre-party politics. His decision to maintain a rump SDP ruined this opportunity for both himself and the Social and Liberal Democrats, as the new mainstream social democratic party was eventually named. Voters turned away from both Tweedledum and Tweedledee, leaving the field open for Labour, which has reshaped itself into both a social democratic party and, if the opinion polls are to be believed, a credible alternative *Government. One of the few* remaining points of principle that divides Labour from both the Liberal Democrats and the now defunct SDP is over the electoral system. The cruel truth is that at the end Dr Owen's SDP was so low in the polls that under, say, the West German system, it would not have scored the 5 per cent of votes necessary to qualify for additional seats in the Bundestag.

Labour's conversion

The true social democrats are now Labour and the merged SLDP. Historians may award Dr Owen a chapter for his contribution to the political turbulence that brought this situation about, but it is at least arguable that Labour's conversion was forced by Mrs Margaret Thatcher rather than its own schismatics, while the Liberal Democrats have been hindered rather than helped by the continued existence of the SDP.

For although Dr Owen has written himself out of the story, *it is not yet over.* The Liberal Democrats under Mr Paddy Ashdown, freed of the need to wipe out the SDP, may enjoy a resurgence of their own. Labour therefore has to fight to consolidate its support in the centre. There is talk of *Dr Owen joining one of these* competing social democratic parties, but his track record suggests that he would be a loose cannon on either deck.

Peter Montagnon and **William Dawkins** on the challenges facing CoCom

A small opening for freer trade

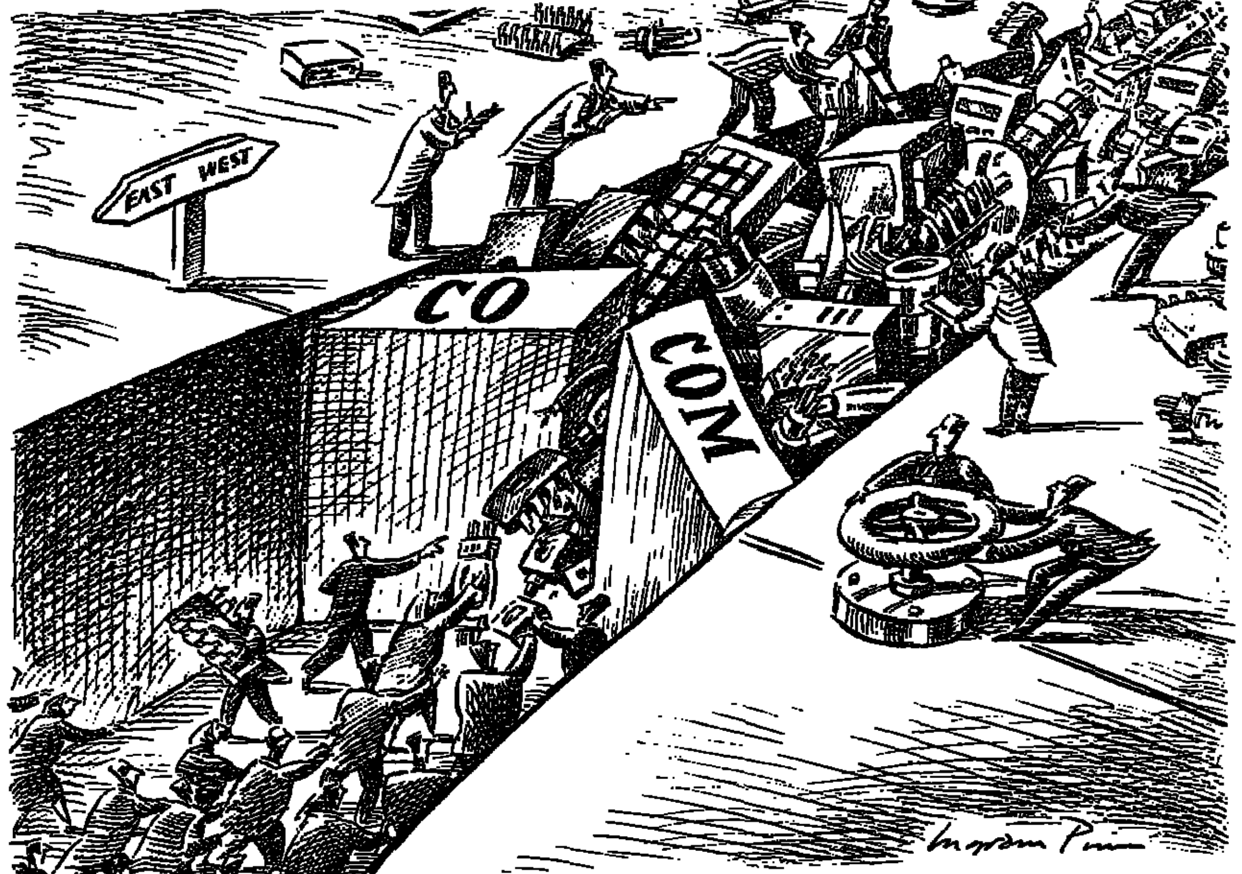
In spite of the rapid pace of change in eastern Europe, the myriad western officials involved in checking strategic high-technology exports to the eastern bloc do not expect to be out of a job soon.

Western industrial nations meeting *in Paris this week are likely to agree* a sweeping relaxation of their strategic export controls. But the controls themselves will not disappear, and the West is more united than ever over the need to retain the shadowy Co-ordinating Committee for Multilateral Export Controls (CoCom) through *they are organised.*

A new-found willingness on the part of the US to agree to liberalisation, particularly of high-precision machine tools exports, has helped cement a consensus that CoCom should survive after a long period of bickering over how to respond to East *bloc reform. This had sometimes* threatened to divide inexorably its 17 members – all of Nato minus Iceland and plus Japan and Australia.

Western officials say the Soviet Union still does not count as an ally and remains a potential military threat. Not even West Germany, the keenest among Europeans to open up technology trade with the East, wants to tamper with controls on the export of atomic energy and munitions. Western governments also want to keep some controls on high-technology civilian products that could be diverted to military use.

With this risk still present, some *even argue that effective strategic* export control has paradoxically become even more important in an age where detente has put defence spending under pressure. "As you reduce military strength, you get more dependent on smart weapons," says one western businessman. A leakage of technology which gave the Soviet Union special military advantage could now be relatively much more damaging than before.



CoCom faces an urgent challenge, however, in deciding how to adapt controls on so-called "dual-use" exports.

Many of the items affected – com*puters, telecommunications equip*ment and high-precision machine tools – are precisely those which the reforming countries of eastern Europe need, if they are to bring their economies up to a par with the West. Without technology transfer, their economies may continue to stagnate, frustrating, or even reversing, political reform.

In the short run attention focuses on the sub-ministerial meeting of CoCom officials taking place in Paris on Wednesday and Thursday. CoCom officials have been working round the clock to prepare for this meeting which looks set to drop or reduce *export controls on about a third of* the high-technology goods now subject to restriction.

Underlying this effort are three main issues. First, how far should liberalisation actually go? Second, how far is it desirable to differentiate between the Soviet Union itself and the satellite countries of eastern Europe where reform is proceeding fastest? And third, what can be done about the thorny question of East Germany during its transition to unification with the West? CoCom members, including the US which was previously one of the most hawkish members of the group, are coming *round to an idea first proposed* by the UK, that the current sprawling list of controlled products should be replaced with a core list of technolo*gies of fundamental strategic impor*tance. The aim is to build this list from scratch by the end of the year.

It would probably include only the most obviously sensitive products such as sonars and high-performance computers. The type of advanced avionics which feature in Airbus aircraft would also come under scrutiny, though it is not clear how this would affect sales of the aircraft to the East bloc. Until now these have carried the condition that the aircraft must be serviced in the West.

One advantage of creating a core list is that it would leave industry in a position of greater certainty. Under *the present complex arrangements* exporters are often uncertain what they can and what they cannot export. The principle underlying the core list would be that a product should be permitted for export provided it was not specifically banned. There would be fewer grey areas where exemptions could be negotiated for particular countries and users.

In the UK view at least, the core list should apply to all East bloc destinations. Because the list would have pared controls to a minimum, there would be no room for differential treatment and horse trading over exemptions for particular countries *and the uses to which a given technol*ogy could be put. There is a debate within CoCom about this, however, and it is probably in this area where the organisation faces its biggest short-run challenge.

Opponents of differentiation argue that simpler controls with a uniform application have the best chance of being effective. The smaller the grey area where differentiation is possible, the smaller the risk that individual exporting countries will succumb to the temptation to twist the interpretation of the controls for their own commercial advantage. Besides, the very notion of differentiation implies that controls will be needed inside the East bloc itself. Though Poland, Hungary and Czechoslovakia have offered to institute controls of their own, there is *some* doubt about how effective they could be.

The counter-argument is that these three countries, which have made the most progress towards democratic market economies, merit better treatment than their immediate neighbours. One plan, likely to be discussed but not agreed this week, would allow them to import controlled goods freely, on condition that they promise not to let them be re-exported to the Soviet Union. Eventually, these countries would be taken off the CoCom list of "proscribed destinations". They would then be treated like neutral non-member countries.

A new-found willingness on the part of the US to agree to liberalisation has helped cement a consensus that CoCom should survive after a long period of bickering over how to respond to East bloc reform

The complication is in the detail. The US, which supports differential treatment, wants the right to send in inspectors to check that technology exports are not being resold to the Soviet Union or diverted for military uses. Most Europeans dismiss end-user inspection as unworkable.

"If it is strategic, we should not export it at all. Once you have lost your technology, you cannot get it back," says a European official. "These are weak governments in the process of decentralisation," adds another. "They cannot deliver controls."

Verification by the West would also be hard. A computer used for innocuous industrial purposes during the day could be used for weapon design at night, and even the most diligent inspectors might never know.

Whatever happens to the broader debate on differentiation, there is no escaping the still more immediate problem of East Germany. The US in particular has expressed concern that, as German unification advances, strategic technology could flow from West Germany into its eastern neighbour and on to *the Soviet Union.*

Given the close links between East Germany and the Soviet Union, the only watertight solution would probably be for Bonn to maintain stringent controls on inner-German strategic trade. Recognition that this is now politically unacceptable has provoked sympathy for a compromise solution proposed by Bonn.

This would call for East Germany to establish its own controls with the help of West Germany. They would be used to prevent re-export of CoCom technology to the Soviet Union, but East Germany would remain free to export its own indigenous technology. *Though East Germany would then* have access to otherwise controlled western material, some very sensitive items would remain restricted.

There may be no alternative to such a scheme though businessmen believe it may be far from effective. The greater the transparency involved in the technology transfer, the less the risk, they add.

Meanwhile experts in both the US and Europe say they expect this week's meeting to agree a relaxation of present controls at least to the less stringent level that has been applied to China since 1985 when it was in the throes of political and economic reform. *US industry itself has been* pressing for the controls to be relaxed to help boost its export opportunities.

Optimism that change was in the air was heightened last month when the US announced proposals to drop controls on 30 as yet unidentified products on CoCom's dual-use list and substantially reduce controls on another 13. The offer was the outcome of a strategic review of CoCom controls promised by Washington at the February meeting of CoCom in Paris. US officials hope that if all goes to plan, this week's meeting will agree to drop those 30 controls on the spot. Yet for the first time in recent years European CoCom members are being more cautious than the US. A great deal more technical discussion remains to be covered in some product ares, such as telecommunications, before controls can be lifted, they warn.

At the least, this week's meeting will agree to drop export curbs immediately on a shortlist of products that have little strategic or commercial value – such as liquid fluorine, used as rocket fuel 10 to 15 years ago – and aim to agree on the rest of the 43 goods on Washington's liberalisation list by the end of the year.

After a hectic series of late-night meetings it now looks as if CoCom members are in a position to agree some measures of liberalisation for *machine tools and microcomputers* as well as telecommunications. Telecommunications is far more sensitive, because the fear on both sides of the Atlantic is that fibre optic cables and digital packet switches – the main products being considered for liberalisation – could be very valuable to the Soviet military.

The overall aim is simply to drop controls on goods which have been made bereft of strategic value by the fast progress of technology or are in any case easily available outside CoCom. The emphasis will be on liberalising exports of basic hardware. Tough controls are be maintained on sales of technological know-how.

The process has been confused, however, by the twin track approach that is now under way. While this week's meeting will discuss the results achieved by the three working groups in telecommunications, computers and machine tools, the core list *idea, which was proposed separately* by the UK, is not due to be agreed until December, although officials hope that this week's meeting will pave the way for that process.

What is now clear, however, is that the CoCom which emerges from this reform process will be a much slimmed-down version of the old committee. Gone is the old painstakingly slow rolling review of restrictions, and the work of CoCom may have to become much more open than before. Still likely to remain, however, is the East-West emphasis and the old US insistence on adequate enforcement.

US officials say they regard tighter *enforcement of controls as a reason*able quid pro quo for liberalisation.

Throughout its history CoCom has always suffered from leaks through poorly implemented controls, but most players accept that it has succeeded at least partially in helping retain the technological edge of the West. The Soviet Union may have been able to steal some technology, but the restrictions have delayed its progress and forced it to spend much more on research and development.

Meanwhile, the affairs of the Iraqi gun and the Libyan chemical weapons plant suggest to some that CoCom should also turn its attention to the *Middle East and other potential* regional flashpoints. There is opposition to this idea, however, by countries (notably France) which argue that CoCom's controls are not easily adapted to such regional trade. Controls at this level, they say, are best left to national governments.

CoCom should stick to its basic task, they maintain. As long as there is still a potential threat from the East it still has work to do.

OBSERVER

Dilemma of the Lords

■ One of the less noticed promises in the British Labour Party's new policy document, Looking to the Future, is to abolish what it calls the "anachronism" of the House of Lords and to replace it with a "new elected Second Chamber."

This may become more topical by the end of today if their Lordships vote against the War Crimes Bill, thus causing the Government considerable *embarrassment. It ought* to become more topical even if enough of their Lordships bow to pressure from the Government and let the Bill through. For the question at issue is how independent the Lords allow themselves to be.

You will take your own view on the merits of the Bill. It is not exactly retrospective legislation. The Bill would give British courts jurisdiction over acts of murder and manslaughter committed as war crimes by people who now live in Britain, but who were neither *British citizens nor British* residents at the time when the offences were perpetrated.

There is not much doubt about the magnitude of the crimes. David Waddington, the Home Secretary, has described them as "premeditated acts of cold-blooded mass murder." Had the offenders been British citizens at the time, they would have been tried long before now.

Nevertheless, there are reasonable doubts. Is it right to amend the law so long after the events? Can there be fair *trials when human memory* is so fallible about what happened five years ago, let alone 50? And what purpose would be served by trials today?

Almost by definition, those doubts are probably stronger in the Lords than in the Com*mons. That is because many* of the Lords are older and many of them are distinguished lawyers.

It is, in my view, supremely a matter for a free vote. That is why their Lordships will do themselves no good if they back away from their beliefs merely because of Government pressure. It is also why I hope that the Labour Party will develop its ideas on constitutional reform. For the Party is, of course, right – the House of Lords is an anachronism. The only question – and it is a big one – is what, if anything, should be put in its *place.*

Social list

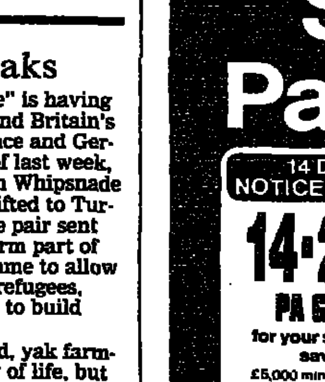
■ Among those sleeping out this week are Mr and Mrs Paddy Ashdown and Lady Howe, wife of the deputy Prime Minister. They will take their places in cardboard boxes on the steps of Westminster Cathedral tonight. Sir John Harvey-Jones, the television star and former chairman of ICI, will be sleeping out in his own back garden, while the *directors of Kingfisher plc will* be roughing it by their headquarters in Marylebone Road.

National Sleep Out Week runs until June 11 and is in aid of the homeless. We may publish another list tomorrow.

Old Alliance

■ Never underestimate the power of personalities in politics. The old alliance of Liberals and Social Democrats had everything going for it. Possibly between them they made *one serious tactical mistake.* That was not to attack the Labour Party hard enough when Labour was still foundering on the far left.

The Alliance should have proclaimed itself the second force in British politics and *the only natural alternative* to the Conservatives when Labour was reduced to the margins. Instead it fought shy and talked about a third force,



"What is a poll tax?"

which was what the Liberal had always been.

For the rest, however, the Alliance failed because of quarrels at the top not because of lack of support from the ranks. Dr David Owen quarrelled with *the older members of the* Social Democrats like the now Lord Jenkins of Hillhead and Mrs Shirley Williams almost from the start. The atmosphere between them became poisonous.

Even then, Owen could probably have made a new start with David Steel when the older guard had moved aside. But in the crucial weeks after the 1987 election the two Davids declined to communicate with each other. We all know the consequences. Owen drew some of them yesterday *by seeking to disband* the Social Democrats as a mainstream political force.

The fact is that that politicians often tend to remain apart for personality reasons even when they seem to have common objectives. Margaret *Thatcher* and *Michael* Heseltine might be another example. So are Boris Yeltsin and Mikhail Gorbachev. The first thing you would expect Gorbachev to do on his return to Moscow from the US is to seek an *alliance* with Yeltsin on the ground that presumably neither of them want events in the Soviet Union to get completely out of hand. But will he?

Hold the yaks

■ "Mad cow disease" is having repercussions beyond Britain's relations with France and Germany. At the end of last week, two male yaks from Whipsnade Zoo were to be airlifted to Turkey to join a female pair sent a year ago. They form part of a breeding programme to allow a group of Afghan refugees, the Turkic Kirghiz, to build up a yak herd.

In their homeland, yak farming had been a way of life, but when they moved to Turkey in the early 1980s, the refugees were forced to leave their animals behind. Now they want their yak back, and Rahman Gul, the tribe's leader, was awaiting the latest pair from Whipsnade.

Everything was set. The yaks passed their tuberculosis tests; funding was secured from several sources including the Turkish-Cypriot entrepreneur, Asil Nadir, and the Red Crescent (the Turkish equivalent of the Red Cross) was ready with a truck in Istanbul to transport the beasts 1,000 miles across the country.

Then, at the eleventh hour, the Turkish Agriculture Ministry stepped in and told the the people at Whipsnade to hold their yaks. The Turkish officials say that they are worried about BSE. At Whipsnade the *hope is that the* will be allowed to move eventually.

Quick test

■ The following well-known sentence contains every letter in the alphabet except one: "The quick brown fox jumped over the lazy dog." Answer in one second. What is the missing letter?

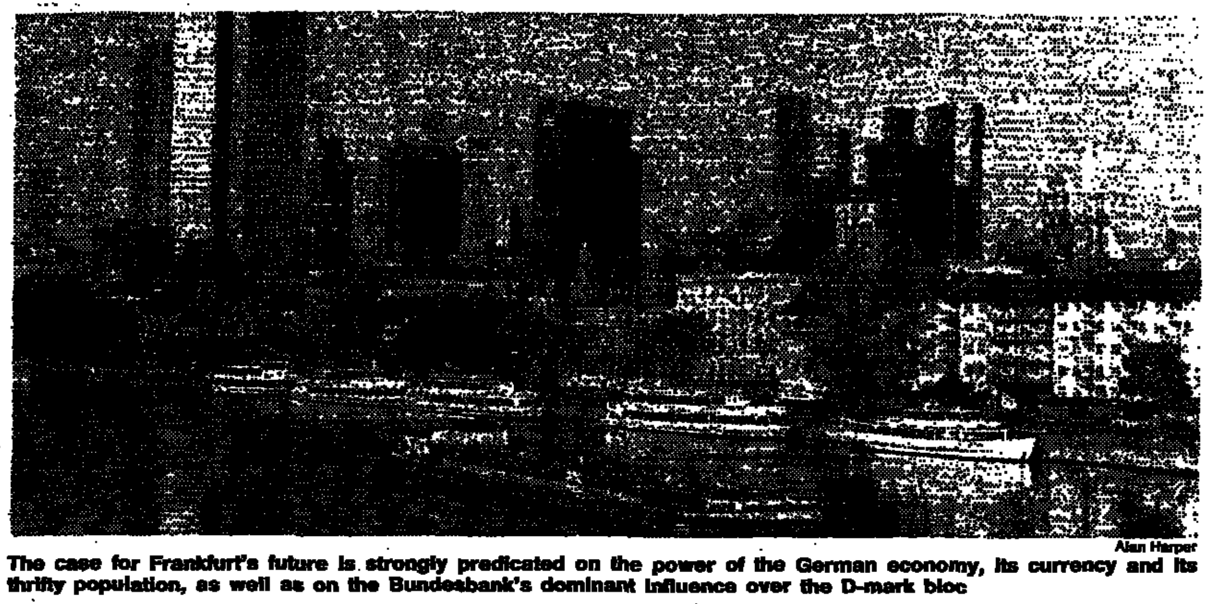
he recent tussle over the location of the future European Bank for Reconstruction and Development was remarkable for one the complete absence of a German city from the list of contenders. with London, the winner, the claimants were Paris and rdam.
logic would have made Frankfurt obvious and ideal choice: it is phically and politically close to urope, and much of the capital e revival of east Europe will from German savers. Moreover, ny has a strong claim to a new tion since it hosts no significant rgan of the EC.
why did it not make a bid?
reason given in Frankfurt is he German authorities thought ew bank was *unnecessary* – lamaging – because it would e the spur for private sector to become involved in the east. ey stood back. Whether or not as the correct attitude, the fact he EBRD will be going elsehas now prompted feelings of in Frankfurt. "It was a misadmits a Bundesbank official.
incident sheds an interesting on the uncertainties that face urt amid all the changes that eeping through both east and Europe. As any visitor to the of the Main quickly discovers, urt says it wants to become a ss financial centre. But when it ly comes down to hard decithere is an ambiguity and that is absent from more go- centres like London and Paris. is all in keeping with the paraa city that has never measured a financial centre to Germany's rial might. The question now is er Frankfurt's time might have come. In spite of the decision, will the growth of urope shift Europe's centre of y away from London's tradidominance in Frankfurt's direc-

German authorities ght the new bank unnecessary because uld remove the spur rivate sector banks come involved in the So they stood back

lore intriguing still, will Frankide on the back of the erful *Deutschmark* to become ne of a future European central Eurofed?
is certainly the hope and ation. Dr Karl Thomas, the nt of the Frankfurt-based cenk of Hesse, says: "As activity nore towards the east, the ecoand financial weight of Frankill grow. The natural consewould be to make central ecisions and operations from int. But these are early days, nust be a long-term decision." sse central bank has invested

The European Bank for Reconstruction and Development has gone to London. **David Lascelles** on Frankfurt's loss

A city whose time has yet to come



Alan Harper

The case for Frankfurt's future is strongly predicated on the power of the German economy, its currency and its thrifty population, as well as on the Bundesbank's dominant influence over the D-mark bloc

heavily in clearing systems which would enable it to become the hub of a future EC monetary union.

Bankers also stress that the traditionally underdeveloped German securities markets have now been expanded and modernised. The value of the combined German stock markets has *doubled from 2.5 per cent to 5 per cent* of world market capitalisation over the past two years, though this is partly because of the decline in the Japanese market. The new mayor of Frankfurt, Mr Volker Hauff, has been banging the municipal drum with vigour; much is made of Frankfurt's international outlook, and of the huge sums that have been spent on the city's airport.

In particular, people are keen to point up the error of foreign perception of Frankfurt as a market still dominated by a cartel of the big banks – as a place where power and influence are exerted in private boardrooms rather than the open marketplace. "People abroad have got to recognise that there have been big changes here," says Mr Gunter Rexrodt, the former Finance Minister of Berlin who now heads Citibank's German operations.

But a big difference – for good or ill – remains between London and Frankfurt. Where London's position owes little to the strength of the local economy, let alone its national currency or savings rate, but a lot to its readiness to act as host to international institutions and markets, the opposite tends to be true in Germany.

The case for Frankfurt's future is strongly predicated on the power of the German economy, its currency and its thrifty population, as well as on the Bundesbank's dominant influence over the D-mark bloc.

This attitude finds fertile ground in Frankfurt because it suits both the commercial banking sector and the authorities. Although large banks such as Deutsche Bank are expanding abroad quite rapidly, there still seems to be a reluctance to throw the domestic market open to the extent required to make Frankfurt truly international. This is reflected in the frustration of foreign bankers who describe Germany as the toughest big EC market to penetrate.

By the same token, the German financial authorities view the future as one in which they will play a controlling role, rather than one in which the tides of international finance will wash freely through the markets. One Frankfurt banker noted as a sign of growing Bundesbank assertiveness the fact that Mr Karl Otto Pöhl, its president, recently delivered a speech in Paris in German, rather than French or English as is *his* wont when abroad.

There is a lingering tendency, as well, among the financial authorities to impose regulations without regard to their wider impact. The Banking Office recently proposed new capital rules that were stiffer than those applied in other countries. These provoked a sharp debate at the Bundesbank, but were eventually approved as necessary to the sound workings of the banking system even though they will handicap German banks. "I don't think London would impose such self-restrictions on itself," said a Bundesbank Council member who voted against them.

The International Monetary Fund also warned in a report last month that Germany would suffer long-term effects from last year's temporary imposition of a withholding tax on bond interest. This was introduced by Bonn over the head of the Bundesbank and prompted German investors to channel their funds offshore instead, where the IMF now expects them to stay.

It was a further example of the inconsistencies which hamper Frankfurt's growth. Some bankers put it down to the deep-rooted unpopularity of banks in Germany, and the reluctance of government to be seen to be acting too obviously in their interests.

"We have a strong economy here, and big savings. But these are not essential for a successful international centre," says Mr Ralf-Joachim Götz of the Institute for Capital Market Research who is preparing a comparative study of Frankfurt, London and Paris. "What you need is an international attitude, skills, flexibility and innovation." He believes that Frankfurt has good long-term prospects, but will remain a satellite of London.

But if Frankfurt has to battle against the odds, it may also be too early to make any assumptions about the impact of east Europe on *its* future. Regardless of how the EBRD influences where east European financing is actually done, many German bankers are cautious about the prospects for themselves. After last year's euphoria, they now seem daunted by the size and complexity of the task ahead.

It will be a "miracle" if a single East German company, for example, is in a fit state to be floated on the stock exchange, according to Dr Eberhard Weiershäuser, managing partner of Schröder Münchmeyer Hengst, the Frankfurt investment bank owned by Lloyds Bank, and a member of the committee advising the East German Government on financial reform.

Bankers also expect east Europe to make a large claim on their time and resources without yielding much in the way of profits, at least in the near term. In approaching East Germany, Deutsche Bank has been careful to position itself so that it can tap the newly created D-mark deposit base without having to assume dud East German loans.

A much clearer ambition in Frankfurt is to be selected as the location for the Eurofed. After the EBRD incident, there is a strong realisation that the city's natural claims may not be sufficient to clinch the prize without vigorous political lobbying as well.

Among the arguments being put forward are the fact that Frankfurt alone of the main contenders (the others being Paris and London) is separate from its country's political capital, a status which reinforces its independence. But for this reason, the Bundesbank is also preparing to fight any move by a reunited Germany to shift it to Berlin where West German law says it must ultimately reside.

Frankfurt's desire to be selected as the location for the Eurofed is so strong that the choice of an alternative city would be viewed as little short of a disaster

Frankfurt's desire for the Eurofed is so strong that the choice of an alternative location would be viewed as little short of a disaster. But the city will have to reckon not merely with the claims of competing centres, but also with the danger that a Frankfurt-based Eurofed would signal only too clearly Germany's dominance of *Europe, west and east.* Because of this, some people would not be surprised to see the Eurofed end up in a compromise location, such as Luxembourg or Amsterdam, in which case Frankfurt would have to build on its more traditional strengths.

LOMBARD

A vote against Thatcherism

By Michael Prowse

The Institute of Economic Affairs today publishes the results of a survey* of the opinions of 1,000 academic, business and government economists. The survey, *the biggest ever undertaken*, must make extremely depressing reading for Ralph Harris, Arthur Seldon and other IEA luminaries whose free market ideas have supposedly triumphed in the past decade.

It shows that the bulk of British economists still reject most of the assumptions that underlie the Thatcher Government's economic and social policies. Thus fewer than 7 per cent of respondents "strongly agree" that public spending should be reduced while more than two-thirds oppose cuts. Comparatively few believe in the efficacy of privatisation as such; 80 per cent think it would not raise cost efficiency unless coupled with measures to increase competition. Three-quarters say increases in public spending would do more to stimulate the economy than cuts in taxation.

A mere 3.3 per cent disagree strongly with the view that income should be distributed more equally in industrial countries. A big majority (86 per cent) agree that redistributing income to the poor is a "legitimate" task of government.

Two-thirds of respondents reject the notion that eliminating inflation ought to be the main goal of economic policy; *77 per cent say unemployment* could be reduced, at least in the short term, by allowing inflation to rise. Only 40 per cent agree that inflation is primarily a monetary phenomenon. Fewer than a quarter believe that the Bank of *England is capable of achieving* steady monetary growth.

Perhaps the most depressing finding for the IEA is that young economists have even less "orthodox" views than their seniors. They are keener on an egalitarian distribution of income, less concerned about union power, less worried by trade quotas and other forms of non-price protection, and less inclined to regard minimum wage laws as a threat to jobs. As these young economists rise to positions of influence, Thatcherite policies may thus grow even more unpopular with the "experts".

What accounts for the "anti-market" tone of the survey *responses? One contributory* factor could be the nature of economics courses at British universities. Typically, considerable emphasis is laid on mathematical and statistical skills but little effort is made to embed economic ideas in a broader political and philosophical framework. Economists rapidly learn that the mathematical conditions necessary to prove the efficiency of markets do not hold in the real world. Indeed, if there is any distortion anywhere in an economy, then it is logically impossible to prove that removing other distortions will serve any purpose.

It hence becomes possible to be a proficient technical economist yet be wholly opposed to the practical application of market forces. The *rise of* mathematics and the divorce of economics from related subjects thus leads to paradoxes such as the lecturer who grinds away all day at equations that flow, ultimately, from Adam Smith, yet happily *spends his evenings selling* Socialist Worker. Such schizophrenia is encouraged by the fact that most academic economists (who form the bulk of the IEA sample) have no personal experience of market forces or the business world.

It is important to understand why and when markets are likely to fail. But if post-war British economists had put as much effort into analysing the possible flaws in government programmes and non-market solutions, the results of the *IEA survey might have been* rather different. To prove that markets fail is not to prove that anything else succeeds better. If the 1,000 economists spent 1,000 days attempting to run small businesses they would probably end up as pro-market and anti-government as Lord Young. The sad truth is that most of us are unthinking products of our environments.

* *British Economic Opinion. £8.50 from IEA, 2 Lord North Street. SW1.*

LETTERS

atcherism in Poland

rofessor Meghnad Desai.
Mr Stanislaus Gomulka ted ("Polish moves than IMF demanded'," as saying that Poland done even the International Monetary Fund's stricdeflating the economy. d not know him well, I ay he almost sounded at the prospect of Polonal income falling by ent compared to a fore- 5 per cent downturn. have been here before. d is implementing a rite programme and is g, albeit in a poorer the experience the UK had a gross national decline of 4½ per cent, est on record, in 1980, hich it took us four catch up to the level of so wrecked manufachat it took eight years up to the 1979 level of

One can only hope that Poland suffers less from imported Thatcherism. Even if the economy grows at 7 per cent per annum from 1992 (how much will national income decline by during 1991?), it will not be until 1995 that the income level of 1989 will be regained.

One fears that Polish manufacturing industry will be made leaner and fitter and smaller and will probably be taken over by foreigners. So Poland can look forward to exporting agricultural and semi-manufactured goods – back where it belonged in the earlier half of this century.

Will it also "enjoy" in 10 years' time a balance of trade deficit, high real interest rates and rising inflation as we are doing?

Meghnad Desai,
London School of Economics,
Houghton Street, WC2

The people who make decisions

From Mr Dave Hibbert.

Sir, Messrs Hartley, Hooper and Wiseman (Letters, May 30) refer to what they consider to be "confusion running through the debate over markets and government."

They are entitled to their view that markets and government are valuable inventions. They are most certainly correct in their statement that "... both are means to an end" and that neither market nor government decides what is "... efficient or socially desirable." However, they then add to any previous confusion by stating that "people" make these decisions and by subsequently changing their stance by saying that "the people," if dissatisfied, can change the institutional framework or the choices they make within it.

My understanding of "people" is "individuals." My understanding of "the people" is the population, the consumers or the electorate.

Since when did "the people" affect the distribution of wealth? Since when did "the people" have any real effect upon the standard of state education? Since when did "the people" have the opportunity to influence property rights in the environment? When last did need supersede demand? If the role of parliament is not to make decisions but simply to monitor those who do, since when did "the people" have any control over the establishment?

Most certainly "people," a very few "people," make the important decisions in our society, but most definitely "the people" do not.

Dave Hibbert,
Chairperson,
Oldham Trades Union Council
Centre for the unemployed,
Firth House,
Firth Street,
Oldham, Lancashire

d for urgency in privatisation of the coal industry

r J.C.H. Rhys-Burgess.
he continued state conritish Coal commented Maurice Samuelson clouds threaten coalsuccess," May 23) is n unacceptable anachn the light of the Gov's privatisation proas a whole.
ve the proposal to dis-British Coal en bloc is ly misconceived. The nsideration should be rather than economic, the ease with which gill and his predeceshe National Union of kers have been able to ld undermine the staindustry generally, oal industry in partic-, surely, been highly ble.
m of privatisation e to further emasculate the NUM and its leadership and this would be more easily accomplished by the piecemeal dismemberment of British Coal, rather than by its preservation as a large corporation which could be taken back into public ownership.

To be viable, because of its high sulphur content, British coal needs to be at least £5 per tonne cheaper than imported coal, and is in fact twice as dear. Little wonder therefore, that National Power's commercial director has observed that he is unsure whether British Coal has any future.

The delay in the sale of British Coal is presumably thought to be necessary to massage its profit record to make the issue appear more attractive than it will be in reality. But is there not a real danger that the pres*ent Government will be out of* office by the time the corporation is ready for market and does this not make the immediate disposal of British Coal imperative?

The delay in privatising coal is inhibiting the emergence of genuine competition in the electricity and coal industries which discriminates unfairly against the private sector. For example, small mines still have to be licensed by British Coal, with all the restrictive working practices which such licensing arrangements involve, so that the private mine owner is in the invidious position of deriving his very right of existence from his main competitor.

Many parts of British Coal would be immediately saleable to a number of successful, established groups in the private sector. Marginal proper*ties could be taken over by co*operatives, leaving those units which are no longer viable, to be closed instead of continuing to be a drain on the resources of the taxpayer at the expense of hard-working small mine owners who have to live in the real world or go under. Ownership of the industry would be completely dispersed, with the inevitable benefits this would have to the consumer in the wake of increased competition.

Renationalisation would be extremely difficult, if not impossible, and above all – and this should be one of the strongest factors influencing the Government – the baleful influence of Mr Scargill and his ilk would be ended once for all.

J.C.H. Rhys-Burgess,
Chairman,
Curzon Coal Company,
Rio Tinto Wharf,
Port Talbot, West Glamorgan

tion and the erosion of funds for special training providers

Bill Mather.
only we could all flation, as *Mr Howard* ters, May 25) when he that providers of nent Training (ET) average, have their luced by 4 per cent l with last year.
Secretary of State ve no doubt that speing needs providers ut the country are erely affected by the erosion of unit funding which, in many cases, stands at well *over 20 per cent in real terms* since the launch of ET in September 1988.

Closures, reductions and severe rationalisation processes are being implemented by large numbers of training organisations specialising in training provision for the groups highlighted in your editorial comment ("Mr Howard's own goal," May 23) – those on the margins of society.

Trailing and Enterprise *Councils (and LECs in Scotland)* will have taken on the responsibility for training contracts throughout most of the country by the end of this year. There is increasing evidence of further cuts in the funding to be distributed through many of these bodies, and the future is not encouraging.

Without Mr Howard's intervention to guarantee the quantity and quality of training for *unemployed people, only* an all-too-thin line of some personally enlightened and concerned TEC and LEC board members stands between present difficulties and a total collapse of effective provision for special needs groups.

Bill Mather,
Chief Executive,
Apex Trust,
2-4 Colchester Street, E1

FINANCIAL TIMES
Monday June 4 1990

Police stifle Tiananmen mourning

Peter Ellingsen and **John Elliott** review the clampdown in Peking and protests in Hong Kong to mark the anniversary of a massacre

A MAN aged about 50 in work clothes struggled to the edge of Peking's heavily-guarded Tiananmen Square yesterday and tried to unfold a poster. He was dragged away by armed police.

At the same time, more than 100,000 people, some carrying posters and many wearing the Chinese mourning colours of white and black, marched through Hong Kong.

The man in Peking and the crowds in Hong Kong were commemorating the same event: the massacre of up to 1,000 peaceful demonstrators in Peking by the Chinese Army a year ago.

As he was dragged away, the Peking worker turned and said: "Rise up." It was a muffled message, but echoed the sentiment of many Chinese.

After word of the protest had been passed on, an office worker in his late 30s commented: "He said what we feel, but can't act out. People want something to happen so that the Government knows it can't get away with the terrible things of last year."

Like the youth who stood alone in front of a column of advancing tanks in the city a year ago, it was a symbolic protest from a lone figure with massive silent support. As China destroys its claim that "Peking is back to normal" by filling streets with riot police nursing automatic weapons, people are privately mourning the dead, and waiting to even the score.

There have been discreet go-slows in some offices and as one middle-aged worker explained: "We are waiting our revenge."

It is a far cry from the picture of cheery *"stability"* which China's Communist Party has been attempting to portray in the run up to the anniversary of the massacre.

Early yesterday morning The Peoples' Armed Police set up road blocks to stop and search residents in a war of *intimidation. A truck driver* who did not see a signal to stop outside Peking's "Friendship Store", had a revolver shoved in his face by an angry policeman who threatened to shoot.

All over the capital, police, some wearing army helmets and carrying snub-nosed *machine guns*, were on patrol; students have been ordered to stay on campus and workers threatened with arrest if they try to go to Tiananmen Square or wear mourning. Despite this *pressure, one young man was* sighted in central Peking wearing a black armband on his white shirt. The siege level of security follows the disappearance of three dissidents who planned to challenge the Government last week to release a democracy activist. The three, *songwriter, Hou Dejian*, economist, Zou Duo, and university editor, Gao Xin, are believed to be under detention as jumpy authorities try to stifle opposition.

Universities, under surveillance by police, were quiet yesterday, although some students *still hoped to be able to* stage a token protest with mourning candles and vegetarian food.

One science student in his 20's said roll calls were now being held in every lesson, and *anyone not accounted for*, questioned and punished.

At the Ba Bao Shan cemetery, where some of the estimated 1,000 civilians killed during the crushing of last year's protest are buried, officials ordered journalists out, and demanded photographs be *confiscated. "You've got no* right to be here," an angry official shouted before following reporters to their car.

But just as some students at Beijing University have vowed to "de-program" first year students sent away for a year of military training, many residents *have their own plans to* resist the threats and indoctrination. "We have to wait for now," one woman said, "but we won't forget. A government that survives by killing can't *last*."

● In Hong Kong the high turnout of marchers surprised both the organisers, who put the figure at 250,000, and police. It was the biggest demonstration since hundreds of thousands of people took to the streets to support the *Tiananmen Square students last year* in the biggest protests in the colony's history.

Marchers raised fists and two fingers as they filed past the Xinhua News Agency offices, Peking's de facto embassy in Hong Kong, at the end of a six hour demonstration. *Placards said* "the world must not forget" and called for the rehabilitation of the democracy movement.

A father and son wave banners reading "We will not forget" in Hong Kong yesterday

Chipmakers avoid Soviet delegation on Silicon Valley visit

By **Louise Kehoe** in San Francisco

SILICON VALLEY'S chipmakers believe it would be "unseemly" for them to sit down to lunch with the Soviet officials at a time when the US Department of Defence is providing funding for semiconductor research as a matter of national security.

Fraternising with Soviet officials during Soviet President Mikhail Gorbachev's visit to the valley today would be "jumping the gun" and hardly enhance the image of an industry that has stressed its strategic role in Washington.

So when Mr Gorbachev takes his seat for lunch with 150 local business leaders and politicians in San Francisco, he will probably not see many executives from the semiconductor manufacturers whose silicon-based chips gave the region its name, according to the latest version of his schedule.

Intel, the leading US manufacturer of microprocessor chips used in personal computers, received an invitation to the lunch for its chief executive, the company said, but declined.

Among the spurned chip makers, there is little disappointment. "*A lot of our* products have military applications," noted a spokesman for Advanced Micro Devices. "While personal computers containing our chips can now be sold to the Soviet Union, exports of most types of chips are still restricted by CoCom *and US export regulations*."

"There are still export controls on semiconductor chips. There are still espionage activities in Silicon Valley. We welcome and support the warming of US relations with the Eastern Bloc, but these are the realities."

In contrast, executives from computer and electronic equipment manufacturers will be prominent among the lunch guests. Mr John Sculley, chairman of Apple Computer, will sit on the head table along with Mr Gorbachev, Governor George Deukmejian of California *and Mayor Art Agnos of* San Francisco.

Mr Sculley has a long-standing interest in the Soviet Union and has previously presented Mr Gorbachev with a Macintosh personal computer, Apple representatives said. The company is actively pursuing business opportunities in the Eastern Bloc pending the anticipated liberalisation of export controls.

Mr William Hewlett and Mr David Packard, founders of Hewlett-Packard and two of the industry's elder statesmen, will also attend. Tandem Computers and *Sun Microsystems*, two of the Valley's most prominent computer manufacturers will also be represented.

For the US computer industry, the prospects of liberalised trade regulations present major new market opportunities in the Eastern Bloc. "We *supply computers to telephone* companies, banks and stock exchanges all over the world. The Soviets need these kinds of products to build the infrastructure for a market economy," said Mr James Treybig, of Tandem Computers.

Some 15 companies have *been asked to "sponsor" the* Gorbachev lunch with donations of \$2,000 per company. Others attending must pay \$500 each. The money will go to underwrite the costs of the event – food, decor, photography and hosting the 40 member Soviet delegation – according to the San Francisco Chamber of Commerce. Remaining funds will be used to support the Chamber's international activities, a spokesman said.

Most chip makers do not forsee major business opportunities in the Eastern Bloc in the near future. "The Gorbachev guest list reflects business realities," AMD said.

THE LEX COLUMN

Weak signals over the Atlantic

One of the more remarkable differences between the US and UK equity markets at the moment has to do with the respective strengths of the corporate sectors. In the US profits have been declining for three quarters in a row and the rate of dividend growth has slowed markedly. In the UK, by contrast, companies are still reporting above average dividend and earnings growth. The longer this divergence persists the easier it is to be nervous of the Dow Jones industrial average at 2900, than the FT-SE 100 at current levels.

Admittedly, there are signs that the UK profit bonanza is slowing, finally. Annual growth in earnings on the FT-A All-share index slipped to a shade under 17 per cent in May, but it is still comfortably above the 11 per cent per annum average of the 1980's. The size of dividend increases has also started to subside. But in the first five months of this year annual dividend growth for FT-A All-share constituents has been running at close to 17 per cent per annum, or nearly a third above the average increase in the 1980s.

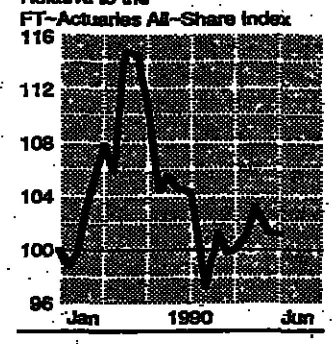
Clearly some UK companies are now feeling pain. Last week Storehouse joined the growing list of high street casualties which have cut their dividends, and it will be no surprise if Saatchi and Saatchi *trims its payout tomorrow*. But these are very much the exceptions. By contrast Standard & Poor's reports that the number of US companies omitting their dividend has doubled in the first five months of this year, to 109, and the number cutting dividends has increased by a *fifth*.

The growth in UK dividends and earnings has held up longer than expected. But a year from now it will probably be running at well under 10 per cent, while US profits should be recovering. The equity markets have been adjusting to the *expected change in pace*. Over the last year the price earnings multiple on the FT-A industrials has slipped by a tenth to 11.4, while the same multiple on the S & P Industrials has risen by a third to 16.9. It is not hard to see where the greater risk for disappointment lies.

Hartwell

Shareholders in Hartwell, the motor dealer, may be wondering today why they bothered to stay loyal to the company's management. Just 11 weeks after rejecting a bid from Saudi-based Jameel, Hartwell's directors have accepted an offer at exactly the same price. In the meantime, the FT All-Share has risen by over 4 per cent.

Water Holding Units
Relative to the FT-Actuaries All-Share Index



The explanation from beleaguered Hartwell is that the car manufacturers dislike uncertainties about the ownership of their dealers. They accordingly insisted that the situation be resolved, on threat of withdrawing their franchises. Hartwell was thus over a barrel *and had to accept Jameel's* terms. If that is what really happened, it forcibly illustrates why the Monopolies Commission is investigating the UK's franchised dealer networks. There is something strange about an industry where a takeover can be enforced by *the target company's suppliers.*

Hartwell had staked part of its defence on its special relationship with the manufacturers and the likely problems for the business if the Jameel bid was successful. The relationship was evidently not special enough to ensure a good deal *for the group's shareholders.* To be fair, a bid which ends with a 40 per cent plus stake for the predator makes life almost impossible, as Birmid Qualcast found with Blue Circle and Molins may find with Leucadia. But the Hartwell example hardly encourages *faith in the other quoted motor* dealers' ability to manage their companies independently.

Oil

The oil price bulls, having started the year with such high hopes, have rapidly been *forced to retreat. The winter* spike in price seems largely to have been caused by a temporary cold snap in the US. Since then, stocks have built up alarmingly quickly, reaching seven year highs in North America.

And Opec's latest agreement, *as so often before*, has disappointed the market, with only Saudi Arabia showing serious signs of cutting back production.

If the Saudis lose their patience, and if the North Sea maintenance season fails to create a shortfall, the Brent price could even fall below \$15 a barrel. The second quarter profits of the oil majors will be hard hit, a fact not apparently reflected yet in their share prices so far. The oil sector has only fallen 4.5 per cent against the All-Share from the heights it reached during the winter surge in the oil price.

Whether this undermines the longer term case for the bulls is harder to tell. The arguments have been recited often enough: the steady growth in world demand, the number of producers operating close to capacity and the threat of political disruption to supply. But what this year may have already illustrated is that the oil price is back in a volatile period.

Water plcs

The ten newly privatised water authorities have already *forecast their profits and dividends*, so no one should be expecting any great surprises when North West Water kicks off the water industry results season tomorrow. Presumably, the profit forecasts will be beaten, but not by so much as to make the accountants look silly. And anyway the profits are pretty meaningless since they cover a period when the 10 businesses have been recapitalised and moved from the public to the private sectors.

Nevertheless, the results ought to be of interest since they may begin to throw up *some clues to answering the* key question of which are the better managed businesses?. Since privatisation the yield gap between the most lowly-rated company – South West – and the most highly rated, has narrowed from 158 basis points to 90 basis points, suggesting *that the difference* between the good, and the not-so-good, is not as big as the Government thought at privatisation.

This is hard to believe, and the forthcoming profit announcements could begin the process of re-rating. The *three critical areas are* dividend policy, capital spending plans and diversification. Thames Water's first major acquisition is already proving rather controversial, and there could be some surprises on the dividend front. The real test will be the capital spending performance. *It will be another* year before judgements can be made on this score.

Administrators ready to move in at B&C

By **David Owen** in London

ADMINISTRATORS were last night poised to move in at British & Commonwealth Holdings, the financial services group, following the apparent failure of last-ditch attempts to procure the support of key bank lenders for a salvage plan.

"The rumours regarding administration look like being fulfilled", said a spokesman for one of B&C's senior bank lenders. "We are in uncharted waters now. I am sure the directors are meeting this weekend. They *will probably* leave a decision until the very end."

B&C has been struggling for survival since Easter, when it called in administrators at Atlantic Computers, its computer leasing subsidiary, wrote off £550m (\$929m) against its investment and asked for trading in its shares to be suspended.

If the group is liquidated, it would rank as one of the UK's *largest-ever* corporate collapses. At its peak in the summer of 1987, B&C was the UK's second-largest non-banking financial institution, in terms of market capitalisation.

The principal opposition to the plan, which would have required B&C's senior creditors *to accept a significant* write-down of the more than £700m owed to them, is believed to have come from three banks: Midland, Lloyds and Standard Chartered, none of whom had any comment yesterday. Midland is embroiled in B&C's complex litigation with Quadrex, the US investment enterprise, through Samuel Montagu, Midland's merchant banking division. This arose from Quadrex's failure in February 1988 to complete an agreed £280m purchase from B&C of M.W. Marshall, the money broker, and William Street, the securities dealer.

B&C is suing both Quadrex for breach of contract and Samuel Montagu, which advised Quadrex, for *misrepresentation*.

In its original draft proposals for B&C's capital reconstruction, SG Warburg, the merchant bank, estimated that an orderly disposal programme of B&C's remaining assets "would be expected to realise gross proceeds...of some £875m". A forced sale, it said, might yield as little as £405m.

Under the latter scenario, "funds likely to be available for distribution to senior creditors are estimated to be approximately 67p in the £" before costs, the document stated. Some analysts believe, however, that Warburg's valuations were overly pessimistic.

One of the reasons for Warburg's gloomy forced-sale projection is the value of only *£10m ascribed to Oppenheimer* Management Corporation (OMC), B&C's US mutual fund management company. Under an orderly disposal programme, Warburg estimated that OMC would fetch £88m.

Grand Jury to examine link between Iraqi and BNL

Continued from Page 1

Mr Drogoul's signature for the bank despite the fact in in previous loans from BNL, two authorised signatures had been required for transactions above \$500,000. Mr Drogoul and several other Atlanta executives were sacked by the bank last year.

Mr Taha's name and role in the BNL affair is documented in confidential reports on the scandal that were prepared last year by both the Italian secret services and by the Rome bank itself in conjunction with the Bank of Italy. In one report a deputy minister of Baghdad's Ministry of Industry and Military Production is also implicated in the BNL affair.

At the Iraqi embassy in Washington Mr Yuseef Alani, the commercial attaché, said he considered all the BNL Atlanta loans to be "normal business" and said it was not surprising that officials of the central bank would be involved. Mr Alani said the embassy "has never heard of any violation by Mr Taha from any US government official or from a Grand Jury".

US relations with Iraq are delicately poised because of President Saddam Hussein's recent threats to launch a military strike against Israel in the event of an Israeli attack on Iraqi military installations.

There is pressure in Congress for sanctions against Baghdad and rising concern about Iraq's drive for military supremacy in the Middle East, including the attempt to smuggle nuclear triggers through London and to build a "super gun" with the assistance of several European companies.

The Atlanta prosecutor is co-ordinating with both the Justice and State Departments. Also involved in the Iraqi case are officials and investigators from the FBI, the Customs Service, the CIA, the Commerce Department and the Pentagon.

The Government of Iraq, last year retained the Washington law firm of Dickstein, Shapiro and Morin, to represent Baghdad in connection with the BNL case.

The law firm yesterday declined to comment on whether it would represent Iraq in the case of any indictments being brought in Atlanta or any other matter.

WORLDWIDE WEATHER

		Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	Dallas †	C	21	70	Madeira	C	19	66	Prague	F	13	55
Algiers	C	24	75	Dublin	C	14	57	Madrid	S	29	84	Reykjavik	F	10	50
Amsterdam	F	17	63	Dubrovnik	R	17	63	Majorca	S	25	77	Rhodes	S	21	70
Athens	S	23	73	Edinburgh	C	14	57	Malaga	S	24	75	Rio de Janeiro		-	-
Bahrain	S	34	93	Faro	C	22	72	Malta	S	24	75	Rome	C	20	68
Barcelona	S	23	73	Florence	F	24	75	Manchester	C	14	57	Salzburg	C	13	55
Belfast	C	12	54	Frankfurt	F	17	63	Melbourne	C	15	59	S'Francisco †	S	12	54
Belgrade	F	15	59	Geneva	S	19	66	Mexico City		-	-	Santiago		-	-
Berlin	F	18	64	Gibraltar	C	24	75	Miami †	S	27	81	Seoul	S	26	79
Biarritz	S	22	72	Glasgow	R	13	55	Milan	F	23	73	Singapore	F	32	90
Birmingham	R	13	55	Guernsey	R	11	52	Montreal †	R	21	70	Stockholm	S	22	72
Blackpool	R	13	55	Helsinki	S	21	70	Moscow	F	21	70	Strasbourg	C	18	64
Bombay	F	32	90	Hong Kong		-	-	Munich	C	14	57	Sydney	S	16	61
Bordeaux	C	20	68	Innsbruck	F	17	63	Nairobi		-	-	Tangier	F	23	73
Boulogne		-	-	Inverness	C	13	55	Naples	C	21	70	Tel Aviv	F	23	73
Bristol	C	13	55	Isle of Man	R	13	55	Nassau		-	-	Tenerife	S	23	73
Brussels	R	14	57	Istanbul	S	18	64	Newcastle	F	15	59	Tokyo	S	27	81
Buenos Aires		-	-	Jersey	R	12	54	New Delhi	S	39	102	Toronto †	C	19	66
Budapest	R	14	57	Johannesburg		-	-	New York †	C	20	68	Tunis	S	27	81
Cairo	S	26	79	Las Palmas	S	23	73	Nice	S	22	72	Valencia	S	24	75
Cape Town	R	12	54	Leeds	R	14	57	Nicosia	S	21	70	Venice	S	20	68
Cardiff	C	14	57	Lisbon	S	23	73	Oporto	S	20	68	Vienna	F	17	63
Chicago †	S	18	64	Locarno	C	24	75	Oslo	F	15	59	Warsaw	F	23	73
Cologne	C	18	64	London	R	17	63	Paris	C	17	63	Washington †	F	22	72
Copenhagen	F	15	59	Los Angeles †	S	16	61	Peking		-	-	Wellington	S	16	61
Corfu	F	22	72	Luxembourg	C	13	55	Perth	S	19	66	Zurich	F	17	63

C–Cloudy Dr–Drizzle F–Fair Fg–Fog H–Hail R–Rain S–Sunny Sl–Sleet Sn–Snow T–Thunder.
† Noon GMT temperatures

Judges reopen Manville case

By **Martin Dickson** in New York

TWO US judges, concerned with the slow pace of compensation to asbestos victims, have taken the unusual step of reopening proceedings under which Manville, the company crippled by asbestos-related health suits, emerged from bankruptcy two years ago.

Their action is seen as an *important precedent in bankruptcy cases*, since this is thought to be the first time a large company's bankruptcy reorganisation plan could be revamped years after being negotiated.

Manville emerged from bankruptcy after the establishment of a special trust to compensate victims which assumed its legal liabilities. The trust owns half Manville's equity and will receive part of its profits from 1992.

The trust, however, faces a serious cash shortfall, which means that claims filed late last year will not see payment until the year 2015. The two *judges, Federal District Judge* Jack Weinstein and New York state Justice Helen Freedman, estimated that the trust could be expected to pay about \$7.5bn on pending and future claims, yet was only worth about \$1.5bn at the current time.

They ordered the trust and Manville *to return to the federal* bankruptcy court to consider changes in the company's reorganisation plan.

They said the best approach to improve the trust's ability to pay claims might be for the company to lend the trust \$200m to \$300m.

The judges criticised the trust for the shortfall in funds and said it must cut administrative costs and the fees it paid to both its own and the plaintiffs' lawyers.

They added that if the trust and company did not work out acceptable changes by July 9, they would consider taking direct action against the two.

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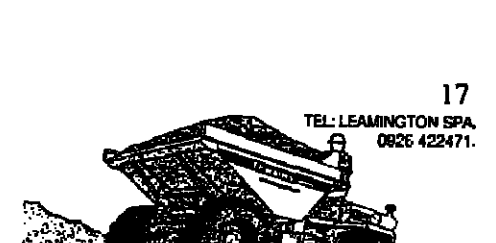
FINANCIAL TIMES
COMPANIES & MARKETS
Monday June 4 1990

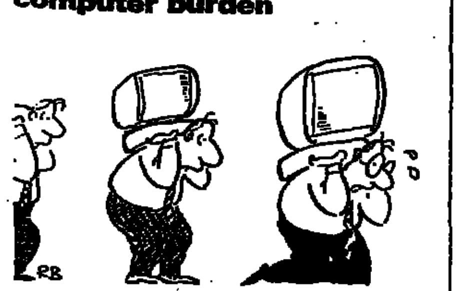


IDE

iving through the tection clause

day, Hartwell, the UK motor distributor in Oxford, capitulation to a £172.5m come bid from the Saudi Arabian Jameel sation. The move put a dent in the held argument that motor manufacturers protect from hostile takeover the groups ell their cars. And by next summer, when Monopolies and Mergers Commission s on the franchised dealership system, protection theories may be laid to rest r, writes Jane Fuller. Page 22

computer burden



s court computer which was supposed to summonses for parking violations, y decided instead to send out allega- f prostitution, living off immoral earn- urglary and manslaughter. Such errors much embarrassment. But for managers ng the introduction of new computer s other unforeseen consequences lie in age 34

ges on the MGM lot

His name is Giancarlo Parretti and he is – at least under Italian law and unless an appeal changes his circumstances – a convicted felon who in April was sentenced in Naples to nearly four years in prison on charges of fraudulent bankruptcy. However, in just three days time he is set to ntrol of Metro-Goldwyn-Mayer/United the legendary Hollywood film and tele- studio. Alan Friedman reports. Page 20

t Statistics

nies in this section

A spread to match tastes

Clay Harris looks at the strategy behind CPC's purchase of Marmite, Bovril and Ambrosia

Marmite and Bovril in US ownership? It seemed unthinkable. Not since BSN of France bought HP Sauce and Lea & Perrins had Britain's culinary patrimony faced such a blow. Next, foreigners would be swallowing up English brands like Frank Cooper marmalade and Brown & Polson cornflour.

Such fears were years too late – five decades in the case of Brown & Polson. Both it and Frank Cooper were already owned by CPC International, the US food group which paid £157m ($251m) in April for the yeasty Marmite spread, its beefy stablemate Bovril and the Ambrosia range of rice pudding and similar dairy-based desserts.

The latest acquisitions from SmithKline Beecham brought CPC's annual sales in Europe to $2bn, some 40 per cent of its worldwide total. With a large Latin American side, CPC is alone among US food groups of its size in relying on external operations for more sales and profits than its domestic business.

CPC Europe Consumer Foods betrays little sign of its ultimate parentage. In the 25 years since a European headquarters was established in Brussels, three presidents have been German; Mr Ronald Moss, the incumbent since 1987, is British. Its five vice presidents are French, Italian, British, German and American.

Yet its corporate name is barely known in Europe and its profile is not much higher at home in the US.

When Mr Richard Zuniga, senior vice president and chief administrative officer of CPC Europe and the only American in its top echelon, visits the US, the company's name draws a blank with immigration officials – until he mentions its brands.

In the US, Hellman's, Mazola, Skippy or Mueller's (the leading mayonnaise, corn oil, peanut butter and branded pasta respectively) will do the trick. Only the first two would be recognised in Europe, however, and would probably be immediately identified as American.

CPC owns only one global brand: Knorr, the soups and sauces company with a Swiss and German heritage. But the French buy its Banania and Benco breakfast drinks and Yabon desserts, the Germans its Ubena herbs and spices, the Portuguese its Mateus jams. And its Napolina pasta sauces, made in Italy to "authentic Italian recipes" are sold everywhere in Europe – except in Italy.

So what is CPC to do with its new quintessentially British brands? Are Marmite "soldiers" to be sent marching into continental Europe and across the Atlantic? Hardly, says Mr Moss.

The reason for this decision throws light on CPC's carefully developed product strategy in Europe and explains why pundits who interpreted the Marmite-Bovril-Ambrosia deal as just another expensive chase after brands were jumping to conclusions.

The primary importance of the Marmite deal was to strengthen CPC's position in the UK. "It gives us good volume and three brand leaders with 100 per cent penetration," says Mr Moss.

The Marmite taste may be adapted to a more widely palatable form, still under wraps and probably not yet finally determined. But such a product is unlikely to be sold under the Marmite brand outside Britain.

If CPC sells the same product under different name from country to country, what appears to be a common brand may hide subtle and not-so-subtle differences, says Mr Moss.

Take Knorr, for instance. "At one point in our history, we were very proud that we sold 16 varieties of tomato soup," one for each of its European markets, he says. "In the UK, for example, it has to be orange and it has to be caramelised. Nowhere else in Europe do you get such a soup."

Brand deployment is selective in yet another way. Hellman's mayonnaise is not sold in France or West Germany, for example, because the markets are not suitable. Yet the brand has been applied elsewhere to new products to exploit local conditions: there is Hellman's creamy salad dressing in the UK, Hellman's ketchup in Spain and Hellman's mustard in Greece and Spain.

CPC has spent $500m on acquisitions in Europe since 1986. Its ideal targets have strong brand or market positions and are in strategic product areas. Multinational presence and the prospect of selling them widely across Europe are positive factors, but are not essential.

Mr Moss argues that moves towards "European" products can move no faster than consumer tastes. The same principle applies to the organisation of the business.

"We describe ourselves as possibly the most decentralised food company in the world," says Mr Moss. "We look for entrepreneurs to run our businesses."

At CPC, at one time, each country made all products for its own market. "We're starting to look at it very differently now. But this is one case where rationalisation is not a euphemism for the axe, Mr Moss suggests. "We do not foresee plant closures – it's one of the benefits you get from a growth strategy – but we are changing to greater specialisation: more focused plants rather than one plant producing a total range."

This is sometimes approached on a European scale; CPC plans to consolidate manufacture of one product from nine factories to three, with the freed capacity to be allocated to other work.

There is also some regional rationalisation; Spain now makes all the mayonnaise for the Iberian peninsula, while Portugal supplies most of the Knorr products. CPC is building its first European scale plant at Duppigheim in France for the aseptic packaging of soups and sauces.

In 1987, CPC adopted a European strategic plan of "faster profitable growth." Since then operating margins have been stable at about 10 per cent, a level which Mr Moss says is comfortable for now. "We concentrate on increasing absolute profit rather than profitability. Without growth, we can't effectively compete." In its markets, CPC faces the likes of Nestlé, Unilever and BSN, the smallest of which has European food sales three times as large as those of CPC.

It is a far cry from the nursery, where tastes for Marmite or peanut butter are acquired. CPC has assessed and dismissed the possibility of creating a larger market for peanut butter in Europe. But be warned: Mr Zuniga claims to like Marmite and peanut butter together on toast. Multinational taste threatens to go a doorstep too far.

Good time for a bet on Gorbachev

Anatole Kaletsky
in Moscow

If shares in Mikhail Gorbachev were traded on the Moscow stock exchange, this would be the time to start buying. At home he is beset by economic failure, political defeat and surly public distrust. Abroad, the once adoring foreigners have started to dismiss him as a helpless relic, a pitiful victim of his own well-meaning but bungled reforms.

At times of universal gloom like this, the instinct of the financial analysts is to ask a simple question. Is Gorby really on the brink of economic and political bankruptcy – or has all the bad news finally been discounted in the intellectual marketplace?

Most of the foreign commentators seem to believe the bankruptcy thesis. But after a week of combing the shops and streets and homes of my native Moscow, I failed to find the portents of civil war and famine which seem so clearly visible to Kremlin-watchers in London and Washington. The public services in Moscow were working – some, like the Metro, with a clockwork precision which seemed to defy the urban laws of nature perceived in the West. Political debate, both in the streets and in the ever-proliferating parliaments and regional assemblies was impressive not only for its diversity, but for its tolerance and economic sophistication.

A deputy from a remote farming district in central Siberia complained that wage compensation for higher prices would be ineffective until the banks started to pay positive real interest rates. Debating the new law on enterprises, the members of the Supreme Soviet, seemed fully cognizant of subtle distinctions between corporate ownership, management and effective control. As for an effort by old-line delegates to argue that "workers' representatives" should instead be described as "trade unions", this was sharply slapped down.

The shops were certainly not full, but neither were they completely empty. Despite the stories in the western press, there were no food riots in Moscow. After the Government announced plans to treble bread and other food prices ten days ago, there was initial panic buying, followed by loud and universal condemnation. By late last week, even the queues in many of the official bread and butcher's shops were only slightly longer than one would find in Sainsbury's or D'Agostino's on a busy Saturday morning.

As for the "free" private market, the stalls were groaning under the weight of seasonal fruit, organic vegetables and delicious-looking cuts of meat, ranging from beefsteaks to roasting geese and suckling pigs. Altogether, the covered Central Market in Moscow on Saturday morning was a display which would have done Harrods' food department proud.

The trouble was that Muscovites could not afford to pay the private farmer's prices. At 11 o'clock on a Saturday morning, I counted five times as many merchants as customers. Yet every stall was still trying to gouge 15 roubles a kilo for beef (£7 or 70p a pound, depending on whether you use the "official" or the "tourist" exchange rate).

This raised a fascinating possibility. Presumably somewhere between the present official prices and the "free market" prices, inflated by the restrictions on private enterprise, a genuine set of market-clearing prices existed. To judge by the state of the markets and shops in Moscow and the obvious possibilities for entrepreneurship, particularly in farming, distribution and services, the market-clearing prices for many Soviet goods, and possibly even the market-clearing rouble exchange rate, might not be as inflated as most experts seemed to fear.

This impression was reinforced by econometricians within the Government's own planning apparatus, who said that state and collective farms were already making high profits from their wheat production before the proposed price increases. The price increases seemed to be necessary not for "supply side" reasons, but as a macroeconomic measure, to soak up the "monetary overhang" in the economy. There were, in fact, strong hints that higher wheat prices would aggravate the agricultural economy's supply side by favouring large collective farms at the expense of small entrepreneurs who raised livestock.

This leads us back to the prospects for "Poor Gorby". Gorbachev will survive the popular outrage against the Ryzhkov Government's latest reform proposals, by distancing himself from the price increases, stressing instead the need to accelerate changes in property, enterprise and monopoly laws. Meanwhile, the present debate will probably shift the balance of power between the pro-market radicals and the old-line technocrats represented by Ryzhkov decisively in favour of the former.

This was the overwhelming impression gleaned from numerous conversations with Gorbachev's closest economic advisers – discussions which would have been amazing for their frankness had they taken place in the White House or Great George Street but took on a dreamlike intensity in the inner sanctum of Stalin's Communist Central Committee headquarters in Moscow's Old Square.

Essentially, it seems that last month's economic plan was the last gasp of the "centre-right" coalition which Gorbachev had formed with the party traditionalists in order to co-opt them into the process of reform. With the right now in a "blind alley", Gorbachev should shift towards a coalition with the pro-market "left".

This "centre-left" coalition will back a much more radical programme of private ownership and market incentives, leaving the "monetary overhang" and pricing to take care of themselves. The contrast between the two programmes is clearly pregnant with political significance. What is less widely recognised is its resemblance to the conflict between "supply siders" and fiscal conservatives in the West.

It could just be that the Soviet economy today, with its immense resources, its stifled entrepreneurs and modest foreign borrowings, would represent a perfect case for the "irresponsible" supply-side treatment. Perhaps Mr Gorbachev should thank western governments for their refusal to admit his country into the International Monetary Fund.

omics Notebook

ECD's new lease of life

Organisation for Cooperation and nent (OECD) has new lease on life.

row over farm pro- n grabbed the head- st week's meeting in ministers from the 24 oup of industrialised . the OECD itself uietly from the talks arper profile.

page final communi- nted to a detailed ramme for the organ- well as a general about the current on economic policy the member states.

CD will be kept busy nths ahead, preparing issues such as pub- iture, the encourage- rivate sector savings cts of agricultural ore important, the on was recognised as a forum for policy etween the industri- untries on the one the emergent market of eastern Europe ynamic newly indus- economies of Asia on

last week's meeting inisters highlighted nal aspect of the ork. Mr John Cros- nadian trade minis- his government the OECD's current es of contact with member economies of the most impor- of the organisation's he coming decade."

umplest policy dia- volves bringing ational experts and cials to share experi- learn from each oth- es.

g nations are frank other, it should play ingly important part ating the west's free inciples as the new al standard of economic policy making. In the present age of global economic interdependence, lack of clarity about economic policies and conditions in one part of the world can be extremely dangerous elsewhere.

Meanwhile, nothing testifies better to the power of ideas to change the world than last year's collapse of Communism and the acceptance of free market ideas in most of the former Soviet satellites countries of eastern Europe.

Policy dialogue has gained in importance as Western countries have recognised that the eastern European countries need more than financial assistance if they are to be successfully linked to the international economy.

Britain last week proposed a series of international conferences to share Western experiences of economic reform with the Soviet Union and eastern Europe.

But exchange of experiences may turn out to be more useful at less elevated levels. Earlier this year, for example, Poland sought help in drawing up a new competition law. National experts from the OECD's 24 member countries met in the organisation's Paris headquarters and told the Poles of their own successes and failures and so helped shape the Polish legislation.

The OECD is involved because it has a strong body of in-house expertise and long experience of running international committees.

But Mr Jean-Claude Paye, the OECD's Secretary General, appears refreshingly free of ambitions to be an empire builder.

Recognising that much could be done away from OECD's Paris headquarters, he has proposed the creation of an agency to help eastern Europe that would be akin to the post Second World War European Productivity Agency. That transferred know-how from the US to the shattered countries of Europe by seconding individual experts to tackle specific problems on the spot or by taking Europeans to the US to be trained in the latest methods of production.

None the less, the growing importance of information exchange has given the OECD a new sense of purpose. For a time, the 29-year-old organisation had seemed to lack a clear role in the face of the broad international consensus over how to run modern economies that has emerged in recent years.

Charged with stimulating economic progress and world trade, the OECD steadily increased its influence in the field of macro-economic policy in the 1960s and 1970s. As the 1980s dawned the OECD faced an identity crisis. What role could it have if all countries agreed that monetary policy – the preserve of the central banks – should play the main part in the battle against inflation?

One answer was for the organisation to focus more on micro-economic problems, pinpointing mistaken policies and structural rigidities that impeded growth.

That expertise can now be used in eastern Europe and elsewhere. Its value can be judged by the fact that non-member countries are seeking to join the OECD.

Yugoslavia, which has had associate status with the OECD for many years, asked to become a full member last week.

South Korea has been considering whether to apply, while Czechoslovakia said in January that it wanted to become a member.

Peter Norman

THIS WEEK

WEST German current account and balance of trade figures stand out in a week almost empty of major economic releases and punctuated by a holiday in most European markets today.

A batch of economic data is likely to show the West German economy in good shape as it girds itself for union with East Germany in the beginning of July.

There are no scheduled dates for the releases, but some could appear tomorrow.

The consensus of analysts' forecasts compiled by MMS International, the financial research company, is for a trade surplus of DM11.5bn ($6.8bn) in April, and for the current account to total DM8.5bn. The sturdiness of the economy is also set to be confirmed by a predicted 0.5 per cent growth in industrial production in April.

Also due is the figure for first quarter gross national product (MMS predicts a quarter-on-quarter rise of 2.5 per cent) supporting predictions for 4 per cent growth for the whole of the year.

But it is equally clear that analysts expect this robust picture of the economy steaming ahead to change following unification with the east.

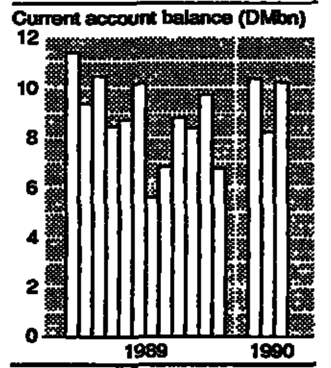
The trade surplus, for one, will be sharply reduced after union. The east has a current account deficit, import demand is to grow, and Germany will be forced to purchase oil and raw materials from the Soviet Union in hard currency for the first time.

Until this erosion of the surplus takes place, analysts are saying that the strength of the Deutsche-Mark will cause export volumes to tail off, with negative consequences for the trade balance.

Other notable events and statistics, with consensus forecasts from MMS in brackets, include:

Today: Whitsum Bank holiday – most European markets closed apart from Spain, UK and Italy. West Germany, unemployment for April. UK, final retail sales for April, official reserves for May (up $100m) credit business for April. US, first quarter revised non-farm productivity.

West Germany
Current account balance (DMbn)



Tuesday: UK, manufacturing company liquidity survey, first quarter. US, automobile sales. Canada, inventories/shipments ratio, foreign reserves (down $650m).

Wednesday: US, Mr Nicholas Brady, treasury secretary, testifies on banking laws; federal governor LaWare gives congressional testimony on credit availability. West Germany, May unemployment (up 10,000).

Thursday: UK, Central Statistical Office investment intentions survey for manufacturing, CBI/FT survey of distributive trades, housing starts for April. US, consumer credit, Mr Alan Greenspan testifies before senate banking committee. Initial claims, wholesale trade, consumer credit ($2.2bn) money supply (M1,$0.2bn, M2, down $1bn, M3, down $2.4bn). Australia, first quarter manufacturing production, employment growth (down 5,500), housing finance (up 2.5 per cent).

Friday: West Germany, speech by Bundesbank president Karl Otto Pöhl, securities repurchase, retail sales for April, money supply M2 for April, net consumer prices. Canada, unemployment rate for May (7.5 per cent).

SOVEREIGN RISK LENDING

Bank launches court action on N Korea

COURT action has been started against North Korea, which has paid no interest on loans to foreign creditor banks for six years. The suit, from a single so-far unnamed bank, is likely to be a prelude to a number of actions. A steering committee of four banks, which has for two years recommended that banks refrain from legal action, is expected shortly to lift this recommendation.

According to a telex from the steering committee to over 100 bank lenders last month: "The North Korean government banks have not responded to repeated attempts to start negotiations. The debt is clearly not a priority matter for them. The committee considers the commencement of legal action in diverse jurisdictions inevitable."

The loans, denominated in Swiss francs and D-Marks, were made by four syndicates of banks in the 1970s, led by ANZ Bank, Morgan Grenfell, Ost-West Handelsbank and Hessische Landesbank. Principal and overdue interest now total SFr701.4m and DM1.07bn, making a total of $1.13bn. Three of the loans, covering the bulk of the debt, are governed by English law and the other by Swiss law.

The majority was formally called into default in August 1987, a move which cleared the way for court action. A debt forgiveness plan, which would have meant the consolidation of the loans under the name of the Korea Daesong Bank and creditors receiving 30 per cent of what they owed, was put to the banks two years ago. It proved a divisive issue: a majority of banks led by ANZ vigorously opposed forgiving debt to what they viewed as a delinquent debtor, while a minority led by Morgan Grenfell saw the deal as providing some income from loans they had substantially written off.

To facilitate that agreement the Koreans paid $5m to Morgan Grenfell, which, as far as can be ascertained, is still on deposit there, a possible sign that the 30 per cent deal is still on the table.

The steering committee – ANZ, Morgan Grenfell, Crédit Commercial de France and Royal Bank of Canada – concedes "Whilst any assets seized or judgments obtained will not extinguish the whole debt, considerable impact on the Koreans' thinking and priorities is likely." It is far from clear that any court action would succeed. The borrower named on most, if not all, of the loans is the Mooyok Bank, or foreign trade bank, which appears to own few assets abroad. In 1988, the law firm Allen & Overy said: "The prospects of a claim under English law (against the Republic) presently appear slim."

Worries about court action in 1987 prompted the Koreans to stop shipping exports of about two tonnes of gold monthly through London. The Koreans are also said to own office suites in Vienna and Paris. Establishing the ownership of these may be difficult.

There may also be bank deposits and trade finance credit lines which could be affected. But as the leading banks hint, probably the main impact on the North Koreans would be to hamper any attempts to normalise relations with the outside world. Since 1987, when there was estimated to be 140 bank creditors, the number of bank lenders appears to have fallen. This is in part due to the purchase more than a year ago – at about 9 cents on the dollar – of about $100m face value of North Korean debt.

The UK investment bank, J. Rothschild, is said to have been behind the purchases, which have so far, of course, yielded nothing, but which may relate to the warming of relations between North and South Korea.

Stephen Fidler

EUROMARKET TURNOVER ($m)

Primary Market	Straights	Conv	FRN	Other
US$	330.0	0.0	40.0	14,409.7
Prev	294.9	40.0	154.8	13,621.8
Other	974.5	0.0	663.6	3,644.8
Prev	1,627.3	9.0	678.5	6,746.6
Secondary Market				
US$	16,233.2	835.0	4,638.5	8,670.4
Prev	18,060.1	953.8	6,637.6	8,635.8
Other	20,688.7	1,171.8	5,818.5	33,957.2
Prev	19,936.5	1,704.9	3,748.0	44,744.3

	Cedel	Euroclear	Total
US$	20,964.1	24,192.7	45,156.8
Prev	18,440.7	29,958.2	48,398.9
Other	27,427.3	39,491.8	66,919.1
Prev	31,180.7	48,014.4	79,195.1

Week to May 31, 1990 Source AIBD

INTERNATIONAL BONDS

Eurobonds may begin to look like a niche business

THE growth of global and international bond issues, highlighted recently by deals for Belgium and ESOP Finance Trust, has led to a need to reassess the outlook for the Eurobond market. Does the global structure signal the end for the traditional market?

In recent years there has been a move away from Eurobonds in their classical definition as bearer instruments tailored for retail investors as a tax dodge. One syndicate manager remarks: "Eurobond is an out-dated name; we should be looking for something else."

The increasing institutionalisation of the market has been the driving force behind the issuance of internationally traded bonds in a commonly accepted form. It has been accompanied by new methods of valuation, more complex instruments and the growth of spread analysis.

This is clearly evident in once-retail currency sectors of the Eurobond market like Ecu and Canadian dollars which are now split evenly between retail and institutional demand. The growth in the number of houses active in these sectors is one obvious marker.

But the growth of the global format has raised important questions about what classifies as a Eurobond. At one level, classification simply dictates which issues qualify for business league tables and helps determine the business profiles of individual houses.

In addition, however, it potentially undermines the traditional advantages of the Euromarket. There remains a significant non-US market for bearer bonds. Global bonds and paper distributed in the US under Rule 144a have to be registered securities.

Many European governments are now looking at ways of exploiting the institutionalisation described above to reduce the tax-dodging advantages of Eurobonds. They are thought to be planning issues of registered securities available for global subscription.

For investors and underwriters alike, the proliferation of different types of international securities is creating problems of information assimilation. Investors have to compare securities to know what to buy, but some recent international issues have thoroughly confused the market.

For example, last week's ESOP Finance Trust deal was compared variously with US Treasuries, stand-alone Exxon bonds and similar asset-backed issues like the recent Citicorp credit card bond.

Syndicate managers have noticed a pronounced tiering, with the Eurobond market dividing into houses concentrating on their individual strengths. Thus, relatively few entities are competing in the truly international, mainly dollar-based business.

The majority of houses has been forced to specialise in a diminishing number of retail currencies blocs with the emphasis increasingly on domestic markets. If anything, these mainly retail, bearer bond sectors will become more concentrated.

The big dollar houses say they are no longer invited into retail deals and argue that this suits them. "We don't have the back-up, or the cost structure to sell retail paper. We're now doing institutional deals only," was one official's comment.

There is still some crossover, with houses like Deutsche Bank, UBS Phillips & Drew and Credit Suisse First Boston retaining a retail capability. But in general, there are now two Eurobond markets, one international and institutional, the other domestic and retail.

The tiering of the market has affected profitability. Niche business has tended to remain profitable. However, this year, profits have been sporadic.

The institutional, or global market has been rather less profitable. Extreme competition on pricing and commissions has limited returns. The big houses which want to play in the global market find themselves in a double bind, because they tend to be the same houses which dominate the US domestic market. The corporate market in the US consists of around 200 investing institutions motivated by their own cash flows and a macro-economic view of the domestic scene. A handful of houses is marketing to these investors.

For a borrower, the logic for bringing a global deal, or simply a non-US deal which can be distributed there but circumvents US reporting requirements, is to access a wider investor base in the hope of increased liquidity. The coincidence of cheaper commissions on the Eurobond market makes the case look compelling. If the global form expands, it will inevitably be at the expense of the steady commissions earned by securities houses in the US domestic market. In other words, competition will close the gap between US and Euromarket fees. As one syndicate manager put it: "The global structure has shown that the international dollar market cannot exist as an independent entity from the US market. The two are merging."

This might mean the development of a non-global dollar market where low-rated borrowers pay a yield premium to tap demand from retail investors. The Eurobond market will also set the pace on bringing down fees in other domestic markets. As a result of the extraordinary deregulation of the late 1980s, investors will be increasingly tempted to access liberalised domestic markets.

There is a widespread realisation that securities have proved inefficient for taking and adjusting positions. Some analysts think in the 1990s investors will radically alter the structure of their portfolios.

They will hold a core of securities and use derivatives to implement their trading and investment strategies. This will make more efficient use of credit and reduce the risk of settlement failure.

A consequence of this is that secondary market trading of bonds will decline. The Eurobond business will then look truly like a niche business. It might not be long before it is recognised for what it is – an established international securities market which happens to be based in London.

Andrew Freeman

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
US DOLLARS							
Japan Highway Pub.Corp.◆	200	2000	10	$9\frac{3}{8}$	$101\frac{1}{4}$	IBJ Int.	9.179
Belgium, Kingdom of(c)◆	500	2010	20	9.2	99.80	Shearson L'man Hutton	9.222
Unilever Capital Corp.(a)◆	150	2000	$9\frac{2}{3}$	$9\frac{1}{4}$	98.275	Deutsche Bk Cap.Mkts	-
Hovedstadsreg. Nat'gas(d)◆	25	1991	1	20	101	Manufacturers Hanover	18.812
Nissan Int. Finance(e)◆	50	1993	3	(e)	$101\frac{3}{8}$	IBJ Int.	-
Esop Finance Trust◆	173.8	1995	5	9.35	$100\frac{1}{4}$	Goldman Sachs Int.	9.285
Nippon Credit Bank(l)◆	130	2000	10	10	102	Nippon Credit Int.	9.679
Union Bank of Finland◆◆	200	2000	10	(o)	100	Merrill Lynch	-
Skopbank◆◆	100	2040	(p)	(p)	100	Merrill Lynch	-
AUSTRALIAN DOLLARS							
Shell Australia◆	100	1993	3	$15\frac{1}{4}$	$101\frac{7}{8}$	Hambros Bank	14.436
Council of Europe(f)◆	50	1991	1	20	$101\frac{3}{4}$	Bankers Trust Int.	17.936
McDonald's Rest. Canada◆	100	1995	5	15	101.65	Deutsche Bk Cap.Mkts	14.513
State Bank Sth Australia◆	100	2000	10	$14\frac{1}{2}$	102	Hambros Bank	14.115
Finnish Export Credit(i)◆	25	1991	1	26	101	Westpac Banking	24.752
Dresdner Int.Fin. Australia◆	75	1993	3	$15\frac{1}{4}$	102	Dresdner Bank	14.383
NEW ZEALAND DOLLARS							
ANZ Banking Group◆	50	1992	2	14	101.95	Fay, Richwhite	12.834
D-MARKS							
Nacional Financiera◆	150	1995	5	11	100	Dresdner Bank	11.000
Kyotaru Co.★★◆	30	1994	4	$9\frac{1}{4}$	$101\frac{1}{2}$	Fuji Bank (Deutschland)	8.789
SWISS FRANCS							
Asian Development Bank◆	150	2000	-	$7\frac{1}{4}$	102	UBS	6.988
Austria, Republic of(j)◆	150	2002	-	$7\frac{1}{8}$	$101\frac{3}{4}$	Credit Suisse	6.906
Austria, Republic of(k)◆	150	2005	-	$7\frac{1}{8}$	$101\frac{1}{2}$	Credit Suisse	6.961
Footwork Express Corp.★★◆	20	1995	-	$7\frac{3}{4}$	$100\frac{1}{4}$	Credit Suisse	7.688
ECUs							
New Zealand◆	300	1997	7	$10\frac{5}{8}$	100	UBS Phillips & Drew	10.625
Oest. Kontrollbank(b)◆	150	1995	4.8	$10\frac{3}{4}$	$102\frac{5}{8}$	Paribas Capital Markets	-

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book runner	Offer yield %
FRENCH FRANCS							
Cepme◆	1bn	2000	10	10	101.60	CCF	9.743
Lyonnaise des Eaux§◆	720	2000	$9\frac{1}{2}$	$6\frac{1}{2}$	(h)	Credit Lyonnais	
LIRE							
Austria, Republic of◆	150bn	1993	3	$12\frac{1}{2}$	101.60	Banca Comm.Italiana	11.896
GUILDERS							
IADB◆	250	2000	10	$9\frac{1}{4}$	101	ABN	9.094
LUXEMBOURG FRANCS							
Belgelectric Finance(n)★★◆	300	1994	4	$9\frac{7}{8}$	102	Credit Europeen	9.254
Compagnie Bancaire(n)★★◆	300	1995	$4\frac{2}{3}$	$9\frac{7}{8}$	$101\frac{7}{8}$	Banque Paribas Lux.	9.334
Interfin. Cr. National★★◆	300	1993	3	$9\frac{7}{8}$	101.95	Kredietbank Int.	9.103
Banque Worms★★◆	500	1996	6	$9\frac{3}{4}$	102	Credit Lyonnais	9.300
AUSTRIAN SCHILLINGS							
World Bank◆	1bn	2000	10	$8\frac{7}{8}$	101.70	Creditanstalt Bkverein	8.615
FINNISH MARKKA							
Finnish Real Estate Bank◆	100	1993	3	13.4	$99\frac{1}{2}$	Skopbank	13.614
YEN							
World Bank◆	15bn	1995	5	$6\frac{5}{8}$	$100\frac{1}{8}$	Norinchukin Int.	6.595
Cas.di R'parmio d'Torino(g)◆	3.5bn	1991	1	9	$101\frac{1}{8}$	Nomura Int.	7.787
Monte dei Paschi di Siena◆	10bn	1993	$3\frac{1}{4}$	6.9	$100\frac{7}{8}$	Yamaichi Int. (Europe)	6.578
Okobank★★◆	3bn	1997	$7\frac{1}{4}$	(m)	$101\frac{1}{2}$	Bk of Tokyo Cap. Mkts	-
Swedish Export Credit◆	30bn	1993	3	$6\frac{7}{8}$	$101\frac{1}{4}$	LTCB Int.	6.404

★★Private placement. ◆Variable rate notes. §Convertible. ◆Final terms. a) Fungible with existing $250m bond from July 2. Issue price plus accrued interest. b) Fungible with existing Ecu150m bond from June 21. Issue price plus accrued interest. c) Put option after 10 years at 100. Non-callable. d) Borrower option to redeem in Sterling. Unlisted. e) Step-down coupon, first year 10.855%, second year 9.972% and third year 7.673%. Non-callable. f) Borrower option to redeem in C$ at exchange rate of 0.865 g) Launched in two tranches. Nikkei stock index linked redemption. h) FFr2-$2\frac{1}{2}$bn domestic issue of which FFr720m aimed at international investors. Issue price FFr800. Banque Indosuez is book runner on domestic placing. i) Redemption linked to DM/A$ exchange rate. j) Call after nine years at $101\frac{1}{2}$ declining $\frac{1}{2}$% p.a. k) Call in 2000 at $101\frac{1}{2}$ declining $\frac{1}{4}$% p.a. l) One call after three years at 100. m) First coupon pays $\frac{1}{8}$% over 3-month Libor, then $7\frac{3}{8}$%(annual) fixed. n) Fungible with recent issue, taking total to LFr800m. o) Coupon pays 15bp over 3-month Libor first three months, thereafter negotiated quarterly. Fall back rate: years one-five plus $\frac{1}{2}$% over Libor, years six to 10 plus $\frac{5}{8}$%. p) First coupon pays $\frac{7}{16}$% over Libor, thereafter negotiated. Fall back rate: years one to five 75bp over Libor, years six to 10 plus $87\frac{1}{2}$bp, thereafter plus 125bp. Borrower option to to extend into a perpetual issue. Note: Yields are calculated on AIBD basis.

INTERNATIONAL CAPITAL MARKETS

GILTS

Market becomes a good European

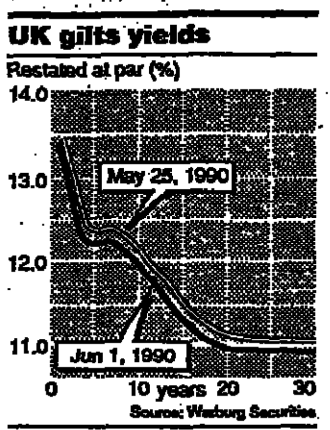
… GILTS MARKET has … me a good European but mixed benefits. A decisive … ge of sentiment about UK … income securities has … fed by the belief that the … will definitely enter the … ange Rate Mechanism of … European Monetary Sys…

…t, ironically, market-mak… have been caught on the … g foot and have yet to see … of the benefits of this … ge. They may have further … ises in store.

… Bank of England is let… it be known informally … gilt-edged market-makers … Ms) made money in the … quarter of this year, … ding to market partici… This was before the … nd but it is an important … g point. The market has … through some lean years … Big Bang and has lost … al market-makers and … jobs within the survi…

… other turning point is … ast month, when non-US … had their best perfor… since 1987, according to … Morgan's bond index, gilts … he list of gainers. They … a return of 5.93 per cent … erling investors.

… sudden reversal of this … is only partly responsi… for the problems which … onted GEMMs in May. … principal reason for illi… y and added volatility in … arket is the lack of stock … derives from the Gov… nt's prolonged absti… from funding and from … ar's buy-in programme.



Source: Warburg Securities

The market has mixed feelings about the return to funding. It would increase supply of stock, thus easing liquidity problems, but if that increase is out of line with demand prices would suffer.

When funding resumes, however, it need not be in sterling. The Government has previously raised money in dollars and has issued ECU-denominated Treasury bills. At some time in the future, it is likely to follow the Italian and French governments and issue ECU bonds.

This idea has two main proponents in the City and, not surprisingly, both are associated with securities' houses which have a strong presence in ECU markets. Mr Jim O'Neill, of Swiss Bank Corporation, has been kicking the idea around for some months.

He said the advantages of an ECU issue are fourfold:

- Provide cheaper financing in terms of interest rates;
- Bolster the reserves and signal commitment to a firm exchange rate for the pound;
- Signal firmer political and economic interest in European integration;
- Underpin London's status as Europe's dominant financial centre and strengthen its position as the centre of the growing ECU market.

Mr Stephen Lewis last week proposed an ECU issue through his own research publication and under the masthead of UBS Phillips & Drew.

The arrival of ECU bonds would undoubtedly complicate the market's perception of the funding equation still further, he argues, but that is to miss the point. With EMS entry will come greater UK involvement with the ECU. More importantly, with European Monetary Union will come greater UK interest in establishing the ECU as the main European currency, Mr Lewis argues.

Mr Peter Clark of Kleinwort Benson believes that there will always be a place for sterling issues and is sceptical of an arrangement that involves a single Euro-currency.

But there has been a quiet explosion of private papers on EMU in the last month and Mr Lewis' arguments are part of this. "It is doubtful whether the presence of links between national currencies would be widely trusted," he says of the EMU option, whereby national currencies would persist alongside a Euro-currency. "Intra-European transactions would probably come to be denominated increasingly in the dominant currency in the system. This would probably be the D-Mark."

The implication of this is that the pound would be left out in the cold.

The City could also find itself presiding over a rump of European bond and currency markets. For international investors, gilts might seem small fry compared with alternative European attractions.

"There are strong reasons, therefore, why most EC-member states should prefer monetary union based on a single currency to a multiple currency system," says Mr Lewis. This is his main argument for an ECU bond: it is a case of enlightened self-interest.

There are equally coherent and persuasive arguments against a single currency. They lie behind the UK Government's proposal for "Competing Currency" and also the follow-up proposal which is currently being prepared by the Treasury. The Bank also has strong views on EMU and they do not point in the direction of a single currency.

The idea of an ECU bond meets the verbal equivalent of a blank stare from the authorities at the moment. But the inter-governmental conference on monetary union is only months away. Those British politicians and financiers with an interest in the process are already making their voices heard; especially those with a foot in the ECU camp.

Andrew Marshall

US MONEY AND CREDIT

Hopes grow of easing by the Fed

HOW soon will the Federal Reserve move to ease US monetary policy?

That is the main question being asked in the bond market this week following last Friday's unexpected employment statistics, which sparked a strong rally in US Treasuries.

Bond market trading had been fairly subdued last week ahead of the monthly employment statistics, which are viewed as one of the most useful indicators of economic activity. And the May figures had been awaited particularly anxiously, since they were the first since the start of the year to be free of special factors, such as the distorting effects of the weather.

They were thus seen as providing the best indication in some months of the strength of the economy, and were given added weight because of the contradictory signals provided by a wide range of economic data over previous weeks.

Some of these figures had pointed to relatively buoyant economic growth, suggesting that the Fed might have to tighten monetary policy, given its concern over the inflationary forces in the system. But an increasing number of other figures had pointed to a slowing economy which might encourage the Fed to ease.

When Friday's figures were finally unveiled they pointed strongly towards an eventual relaxation of credit policy. The data showed that in May non-farm payrolls expanded by 164,000 workers, well below the 250,000 consensus figure predicted by analysts. Furthermore, most of that increase was accounted for by the hiring of part-time workers to carry out the US census.

April's data was also revised, to show a drop of 23,000 jobs, rather than the 64,000 advance initially reported – the first monthly drop in almost four years. "Labour market developments over recent months are now fairly clear," said Dr Janet Norwood, the Commissioner of Labour Statistics. "Employment growth has been very slow, and what growth there has been was concentrated in very few industries. The private sector has been stagnant for the past three months, with job losses in construction and manufacturing."

Some aspects of the data might be interpreted more positively. For example, there was an increase of four-tenths of an hour in the length of the average factory working week. But this is probably a reflection of employers' reluctance to take on more staff in an uncertain economic climate.

Carmakers, in particular, are anxious to avoid a run-up in payroll numbers ahead of this autumn's pay negotiations with the unions, when job security is likely to figure on the agenda.

A more positive figure certainly came on Friday when the National Association of Purchasing Management released its latest survey of members, showing its index of economic activity rose in May to 50.7 per cent, the highest level since January last year, compared to 50.2 in April. A reading below 50 per cent suggests the economy is in decline, and the April figures were the first positive ones in 11 months.

However, the purchasing managers' figures do not reflect vigorous expansion, and the overall impact of Friday's data was to strengthen the hand of those arguing that the economy is slowing to the point where inflation is being contained, but recession is not yet a threat.

The result was a sharp rally in Treasury bond prices, with the benchmark 30-year issue gaining a full 1½ points on Friday, making a 2¼ point rally for the full week and a drop in the yield of 22 basis points through the 8.5 per cent resistance level to 8.44.

The shape of the yield curve was essentially unchanged on the week, with a 16 basis point 10-to-two-year spread, and a 1 basis point spread between the 10s and 30s. The past month has seen a slight flattening of the much steeper, positive curve that emerged earlier this year as inflationary fears hit prices hard at the longer end.

But lingering concern over inflation, and a sharp rise in the US Treasury's demand for short-term paper, seems likely to keep the curve in essentially the same configuration in the near-term.

The upshot of the past six weeks of economic news is that bond market sentiment has moved rapidly from concern over a tightening of credit to anticipation that the Fed will relax the 8.25 per cent figure it has targeted so far this year for the key short-term Fed funds rate.

However, most analysts think it unlikely the Fed will move quickly to bring rates down. The cautious Fed policy-makers resisted pressure for a tightening earlier in the year during the inflation alarm and are likely to take a similarly restrained view until they have seen a lot more evidence of current economic trends.

According to the economists at Salomon Brothers: "At a minimum, Fed officials are looking beyond the sluggish employment news to upcoming inflation readings. Any chance of easing – and perhaps a further bond market improvement – depends more on extending April's favourable price news through May and June."

So the scope for much more of a bond market rally seems limited in the weeks immediately ahead, with some risk of a dip if the inflation figures contain some nasty surprises. And over the longer-term, even assuming an easing of credit, the bond market's ebullience could be constrained by the demands of the federal budget deficit, the bail-out of the thrift industry, and by currency and other external factors.

Lower US interest rates, coupled with poor economic growth, will put pressure on the dollar (which held up well on Friday). And that, together with the likelihood of tight money policies in West Germany and Japan, would reduce the relative attractiveness of the US market. On the other hand, a very different picture could emerge if greater political upheaval in eastern Europe prompted a flight of capital to the American safe haven.

Martin Dickson

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	12-month High	12-month Low
Fed Funds	8.31	8.31	8.13	9.92	8.00
Three-month Treasury bills	7.93	7.99	8.00	9.11	7.20
Six-month Treasury bills	8.01	8.16	8.23	9.37	7.18
Three-month prime CDs	8.21	8.27	8.70	10.35	8.18
30-day Commercial Paper	8.12	8.10	8.30	9.95	8.05
90-day Commercial Paper	8.07	8.10	8.30	10.05	8.07

US BOND PRICES AND YIELDS (%)

	Last Fri.	Change on wk	Yield	1 week ago	4 wk. ago
Seven-year Treasury	100 1/32	+1½	8.48	8.70	8.82
20-year Treasury	107 1/32	+2 3/32	8.50	8.77	8.91
30-year Treasury	103 1/32	+2¼	8.44	8.66	8.82

Money supply: In the week ended May 21 M1 rose $4bn to $807.1bn.

NRI TOKYO BOND INDEX

December 1983 = 100	31/5/90	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	146.26	6.91	145.60	142.58	148.14
Government Bonds	144.45	6.68	143.66	140.46	148.18
Municipal Bonds	148.26	6.97	147.52	144.38	149.65
Govt.-guaranteed Bonds	150.31	7.06	149.63	146.68	150.79
Bank Debentures	143.15	7.06	142.69	139.37	142.15
Corporate Bonds	148.04	7.34	147.43	146.61	151.08
Yen-denom. Foreign Bonds	153.33	7.63	153.12	152.09	155.80
Government 10-year†	6.51	–	6.55	.83	5.38

PERFORMANCE INDEX
† Estimated par yield
Source: Nomura Research Institute

SocGen sells LDC debt

SOCIETE Générale, the French bank, has taken $600m of less developed country (LDC) debt off its balance sheet by selling it to a newly created company in Jersey called Findico, Mr Marc Vienot, chairman, told the annual meeting, Reuter reports. Bank officials declined to say who controlled Findico. To carry out the operation, the French bank is making a 30-year loan of $600m to Findico. Part of the money will be used to buy the $600m face value of LDC loans at a discount.

FT/AIBD INTERNATIONAL BOND SERVICE

	Issued	Bid price	Chg on week	Yield
[illegible]	150	98⅝	+⅛	9.48
[illegible]	200	99¾	+⅛	9.33
[illegible]	200	95⅝	+¼	8.13
[illegible]	100	100⅜	0	11.44
[illegible]	750	97½	+¼	9.06
[illegible]	600	100½	+⅛	9.23
[illegible]	80	100⅜	−⅛	10.76
[illegible]	450	38⅞	+⅛	9.52
[illegible]	100	97	+⅞	10.53
RALSTON PURINA 11¼ 95	150	104⅛	+¼	10.45
REYNOLDS (RJ) 10¼ 93	100	89¾	+¼	14.31
ROCKWELL INT 9⅞ 90	200	99⅝	0	10.25
SAINSBURY 9¼ 96	150	98	+⅛	9.54
SARA LEE 9⅝ 93	150	99¼	+¼	9.67
SAS 10¼ 95	150	101	+½	9.85
SASKATCHEWAN 8½ 91	150	99½	0	9.66
SASKATCHEWAN 15 92	150	110½	+¼	9.45
SEAGRAM CO 8½ 96	100	93½	0	10.04
SEARS O/S FIN 0 98	500	45⅞	+½	10.08
SEARS O/S FIN 11¼ 93	150	104⅞	+¼	9.99
TOYO TST & BANKING 1¼ 02	100	69¼	−2⅛	−1.38
UTD BISCUITS 5¾ 05 PREF £	110	111¼	+1⅛	−1.25

YEN STRAIGHTS	Issued	Bid price	Chg on week	Yield
ALLIED-SIGNAL 6¼ 93	20.0BN	96⅞	−¼	8.10
AUSTRIA 4¼ 94	30.0BN	93¾	+⅛	6.78
AVON CAPITAL 6¼ 91	26.0BN	94½	−¼	10.85
BARCLAYS O/S INV 6 96	40.0BN	94½	0	7.11
BFCE 5¾ 96	20.0BN	92½	0	7.34

[illegible]

CONVERTIBLE BONDS	Issued	Bid price	Chg on week	Prem
ARGYLL GROUP 4½ 02 £	60	98¼	+⅛	22.81
ASDA-MFI 4½ 02 £	100	103¼	+¼	58.06
BURTON GROUP 4¾ 01 £	110	107¼	+⅛	82.40
CANON 3 00	100	242⅝	−4¼	−0.52
EASTMAN KODAK 6¼ 01	300	94⅝	−⅛	18.96
GOODYEAR TIRE 6¾ 03	150	77¼	+⅛	74.53
GRACE (WR) 6¼ 02	150	85	+¼	26.19
GRAND MET 6¼ 02 £	100	100	+3	6.82
HAWLEY 6 02 PREF	400	110¼	+2¼	6.55
HILLSDOWN 4½ 02 £	150	97	+¼	52.85
INTL PAPER 5¼ 02	200	89	+⅞	16.12
KYOWA BANK 1½ 02	100	98⅝	−4	1.75
LAND SECS 6¼ 02 £	84	85⅝	+3⅛	10.84
METAL BOX 5¼ 02 £	65	104⅞	+⅞	−6.72
MITSUBISHI BK 1½ 02	300	91¼	−2⅞	−0.32
OGDEN 6 02	85	85⅝	+1⅞	29.94
PIONEER CONCRETE 9½ 98 A$	175	72¼	+3¼	18.06
SAITAMA BANK 1¼ 02	100	86⅝	−2	6.98
TEXAS INSTRUMENTS 2¾ 02	300	77¼	0	52.43
THORN EMI 5¾ 04 £	103	104	+⅛	5.85

EQUITY WARRANTS	Expiry Date	Bid price	Chg on week	Prem
KIRIN BREWERY	23/07/92	13⅛	+¼	44.75
MEIJI	27/12/91	27⅞	−1⅞	9.64
MITSUI REAL ESTATE DEV.	20/03/92	25	+3½	30.00
NIPPON MEAT PACKERS	17/09/92	16⅛	+⅞	44.98
NIPPON OIL	14/08/92	22	+⅞	28.24
TDK	25/10/91	84⅞	−1⅞	2.61
TOYO SASH	27/04/93	36⅞	+1½	10.49
TOYOTA MOTOR	15/07/92	42½	+3	3.85
UNY	17/06/91	40	+1⅞	1.93
YAMANOUCHI PHARM.	30/06/92	13½	−1⅛	53.85

BOND WARRANTS	Expiry Date	Bid price	Chg on week	Yield
AEGON 9 92	24/09/92	9	+4	8.52
CREDIT FONCIER 10¼ 98	07/03/93	190	+40	9.75
GMAC 8¾ 95 B	11/02/91	8	+5	8.52
HEINZ 7½ 96	01/10/90	17	−½	7.48
MCDONALDS 8 10 93	01/01/93	15⅛	+2½	9.26
SAS 9¼ 05	03/06/91	25	+10	8.92

… redemption of the mid-price. Amount issued is expressed in millions of currency units except for Yen bonds, where it is in billions. … NOTES. US dollars unless indicated. Margin above six-month offered rate for US dollars. C.cpn = current coupon. … BONDS. US Dollars unless indicated. Prem = percentage premium of the current effective price of buying shares via the bond over the most recent share price … exercise premium over current share price. Bond warrant ex yld = exercise yield at current warrant price. Closing prices on JUNE 1

Hafnia takes 10% of Baltica Holding

HAFNIA HOLDING, the Danish insurance and investment group, has taken a stake of more than 10 per cent in Baltica Holding, its main rival in the Danish insurance market, *Reuter reports.*

Hafnia regards the stake as a financial investment, Mr Per Villum Hansen, managing director, said. Hafnia Holding already holds 11.3 per cent of the share capital of Baltica's biggest unit, Baltica Insurance.

Baltica Holding shares closed up DKr1 at DKr898 on Friday, off the day's high of DKr907. The two groups vie for the leading position in the Danish insurance market.

Hafnia reported record group net profit of DKr1.52bn ($236m) in 1989, with shareholders' equity of DKr6.35bn and assets of DKr57.24bn.

Baltica reported group net profit of DKr941m in 1989 with shareholders' equity of DKr10.57bn and assets of DKr48.7bn.

Both groups have diversifed from insurance into other financial services, and both have exchanged shareholdings with French insurance and banking groups. Baltica with Cie Financière de Suez and Hafnia with Cie Financière de Paribas.

Hispano Suiza plans 10-for-one share split

By Tom Burns in Madrid

GRUPO HISPANO SUIZA, a Spanish industrial holding company owned by large European institutional investors, is to recommend a 10-for-one share split that will reduce the nominal value of its shares to Pta50, the lowest on the Madrid's bolsa.

The move follows concern over the group's liquidity on the bolsa where 8 per cent of its equity is traded at a price of around Pta17,000, making it one of the heaviest share prices on the Spanish market.

The split will increase thenumber of shares on the free float from 880,000 to 8.8m and could increase the share trading in the group.

Consolidated Press agrees Bond Media recapitalisation

By Our Financial Staff

MR KERRY Packer's Consolidated Press Holdings has clinched an agreement with Bond Media over a recapitalisation of the Bond Corporation unit, giving Mr Packer control of Australia's top-rated Channel Nine television network.

The recapitalisation, agreed at the weekend, involves a capital reconstruction of Bond Media's ordinary shares and the conversion of existing preference shares held by Consolidated Press into ordinary shares, Bond Media said.

Mr Packer, the former owner of Channel Nine, Bond Media's main asset, is owed A$200m (US$154m) and said he would wind up the company unless he was repaid.

Bond Media said the recapitalisation also involves a renounceable rights issue with the proceeds used to repay debt to Bell Resources.

Consolidated Press and Bond Corp will not take part in the rights offer.

The agreement is subject to the approval of a National Australia Bank-led syndicate of banks which is owed A$367m by Bond Media. It would also require Bond Media shareholder and regulatory approvals.

"After the recapitalisation Consolidated Press will have a controlling shareholding in Bond Media in excess of 50 per cent," Bond Media said. Mr Packer will be chairman of Bond Media and Consolidated Press will have a majority on the board.

Mr Packer withdrew a takeover bid for Bond Media in April which valued the company at A$52.8m or 10 cents a share because of the expiry of its underwriting agreement.

On Thursday, two units of General Electric of the US – NBC International and General Electric Capital Corporation – and Hellman & Friedman, a US private investment fund, had offered Bond Media a A$200m refinancing package. This was mainly for the partial repayment of debts owed to the NAB-led syndicate. The last-minute proposal was rejected, but the door has been left ajar for GE to come forward with further proposals if it chooses.

National Bancshares deal strengthens NCNB base

NCNB, the US super-regional banking group, will strengthen its position as the leader in the Texas banking market with the purchase of troubled National Bancshares of Texas, Reuter reports.

NCNB bought nine of the troubled San Antonio-based company's 12 banks on Friday for $59m, much lower than analysts' estimates. In return, NCNB picked up 24 banking locations and about $2bn in assets. The Federal Deposit Insurance Corporation chipped in $581m in assistance.

The transaction caps a whirlwind acquisition campaign which saw NCNB rise from zero presence in Texas two years ago to the state's largest bank with $33bn in assets at the end of last year.

Separately BankAmerica, the West Coast bank holding company, said it acquired the retail network of insolvent Western Savings and Loan Association from the US government's Resolution Trust Corporation with a bid of $81m.

Bank of America will assume all $3.5bn of Western's deposits. It said service to Western Savings customers would not be interrupted.

It said it would begin operating Western Savings immediately as Bank of America Arizona. Western Savings has 61 Arizona branches and has about a 12 per cent market share in Maricopa County, the bank added.

BankAmerica said it also acquired about $1bn in consumer and residential loans from Western Savings, and about $2.5bn in cash and cash equivalents.

It said it has the option to return to RTC loans that do not meet certain criteria.

Nynex indicted on contempt charge

By Karen Zagor in New York

NYNEX, the north-eastern US regional telephone company, has been indicted by a federal grand jury on a charge of criminal contempt for violating the 1982 consent decree that settled the litigation surrounding the break-up of American Telephone & Telegraph in 1982.

The consent decree bars Nynex and the six other regional telephone companies created in the break-up from providing several services, including long-distance telephone service, telecommunications equipment manufacturing and generating computerised information available over telephone lines.

Nynex has been charged in the single-count indictment with wilfully providing information services by selling computer data processing services, through its Telco Research division, over telephone lines to MCI Communications.

Nynex said the allegation is "without basis in law and fact" and that the company is "confident that a trial of this case will confirm to our customers, our shareholders and the general public that Nynex has fully and completely met its responsibilities" under the consent decree.

The Justice Department said this is the first criminal case charging a violation of the decree. The case will go to trial before Judge Harold Greene, the federal district court judge who oversees the consent decree.

Fischer stake placed

One of the largest secondary placements of shares in the Swiss market since the stock market crash of 1987 was completed last week, writes Stephen Fidler. Swiss Bank Corporation said it successfully placed 47,500 bearer shares at SFr2,300 each in Georg Fischer, one of the largest Swiss engineering companies. The shares, about 10 per cent of Fischer's capital, were held by the Geneva-based Atelier des Charmilles.

Sceptics' roar greets sale of the lion

Alan Friedman finds the film industry looking askance at the latest in the MGM/UA saga

Three days from now, if all goes as planned, Metro-Goldwyn-Mayer/United Artists, the legendary Hollywood film and television studio, will change hands for a little more than $1.2bn. Sceptics abound, and with good reason.

The seller is Mr Kirk Kerkorian, the eccentric and reclusive 73-year-old Armenian-American casino mogul who during the past 21 years has bought and sold chunks of MGM/UA so many times – while making a personal fortune from the deals and yet sending the studio skidding into the red – that much wariness surrounded the announcement three months ago that he had agreed to tender his 80 per cent of MGM/UA stock.

The scepticism, however, is nothing compared with the violent reactions that have been elicited by the prospective buyer of MGM, a curious financier with a police record in his native Italy.

His name is Giancarlo Parretti and he is – at least under Italian law and unless an appeal changes his circumstances – a convicted felon who in April was sentenced in Naples to nearly four years of prison on charges of fraudulent bankruptcy.

If Mr Parretti is a convicted criminal in his native Italy (he dismisses the conviction as "nonsense"), he is commonly described in Hollywood as a mystery man. He is also an angry man.

He has even launched a series of lawsuits against US and French publications that have made allegations about some of his business practices and connections. Mr Parretti has denied everything except his police record and recent jail sentence, which are a matter of public record.

He has been operating in the US for less than three years, having first arrived in late 1987 when he bought control of the ailing Cannon Group from a couple of Israeli cousins – Yorum Globus and Menahem Golan – who are best known for their cheap and tawdry exploitation films.

Last year Mr Parretti bought Pathé Cinema of France and then rebaptised Cannon as Pathé Communications. Since then he has embarked on a string of failed takeover deals.

At the start of this year, however, he finally persuaded Mr Kerkorian to sell MGM/UA to him, but scepticism about his ability to raise the cash abounded.

Mr Parretti's most crucial ally and strangest bedfellow is Mr Steve Ross, the glitzy 62-year-old chairman of Time Warner, the world's largest media and entertainment conglomerate.

Mr Ross agreed to guarantee $650m of loans for Pathé, thus providing the springboard that should enable Pathé to complete the MGM/UA takeover. Without Time Warner, or a similar backer, Mr Parretti would probably have failed.

Some Time Warner directors have been unnerved by Mr Parretti's run-in with the law, but in exchange for the $650m loan Mr Ross is obtaining distribution rights to the United Artists film library. These are of enormous value as there is only a finite quantity of titles in existence and the UA library is believed to generate more than $200m of annual revenues.

Standard & Poor's, the US debt rating agency, reacted to the deal by placing Time Warner on creditwatch as it increases the exposure beyond the company's already considerable $10.6bn debt burden. Mr Parretti was in a jubilant yet feisty mood on Friday, claiming he had now secured the final $450m of funds needed to close the MGM/UA deal, but refusing to name the banks which are backing him.

The $450m will come as a loan to Pathé from Comfinance, the Luxembourg vehicle that is itself 80 per cent controlled by Mr Parretti and his wife and which in turn owns 88.5 per cent of Pathé. Mr Parretti is thus effectively lending money to himself.

Mr Florio Fiorini is Mr Parretti's main partner in Comfinance and the chairman of Pathé who in 1982 was forced out of his job as finance director of Italy's state-owned ENI group after failing to mount a rescue for the late Roberto Calvi's Banco Ambrosiano.

Speaking in London on Friday, Mr Fiorini said that beyond the $650m of Time Warner money and $150m that has already been paid as security deposits on MGM/UA stock, the rest of the Comfinance funds include $150m of loans from European banks.

These loans are ahead of the planned sale of Renta, a Spanish real estate business. He said $80m is being raised from the sale of unspecified assets owned by an undisclosed subsidiary of Comfinance. A final $120m would come in the form of short-term bank borrowings by Mr Fiorini's Geneva-based Sasea holding company from a Paris-based Arab bank and three European banks.

As for future strategy for the battered MGM lion, Mr Parretti has revealed precious little of substance. He has made a few bold statements about how he aims to create the biggest trans-Atlantic film producer and distributer by matching his Hollywood businesses with his 1,000 European cinemas.

Yet under the deal with Mr Ross's Time Warner, the US conglomerate could end up owning 20 per cent of a combined Pathé-MGM/UA.

What would happen to the Time Warner deal if Mr Parretti succeeds this week in his takeover and then at some later date stumbles, either for financial or other reasons?

Mr Ross's Time Warner is playing an extremely cool hand in this delicate deal. It has, after all, told the US media on several occasions that its deal is with Pathé and not with Mr Parretti himself.

The tone is far more that of a marriage of convenience than the beginning of a beautiful friendship. And that is before the deal is even done.

Corona to outbid Placer

By Robert Gibbens in Montreal

CORONA, the Canadian resources group, plans to raise its share-exchange bid for Stikine Resources, a key Vancouver gold exploration company, from just over C$60 (US$51) a share to $75.69 or around $257m.

This would outbid Placer Dome, North America's largest gold producer, which bid C$67.50 a share cash or C$230m last week to top Corona's initial offer.

Stikine owns half the valuable Eskay Creek gold property in north western British Columbia. Five gold mines may be developed in the area.

Corona, which earned C$10.4m or seven cents a share in the first quarter, double the year earlier level, owns 50 per cent of two Hemlo gold mines. It already owns part of Stikine indirectly through another Vancouver exploration firm.

Its latest share-exchange bid for Stikine is part of a merger plan affecting several companies.

However Corona does not have the resources to make a full cash offer.

Tamoil takes over Gatoil

By Our Financial Staff

COURT-appointed administrators of Gatoil (Suisse), the troubled Geneva-based oil company, have accepted a takeover offer worth more than SFr200m ($140m) from Tamoil, Gatoil said.

Tamoil, owned by Libyan-controlled Oilinvest and Swiss finance company Sasea Holding, made its offer with Migrol Genossenschaft Zurich, a Swiss company. A rival offer made jointly by Elf (Suisse) and Agip (Suisse) was rejected, Gatoil said. It gave no reasons for the rejection.

Tamoil has undertaken to take over Gatoil's refinery at Collombey and all the company's staff, including those at the refinery, the statement added.

Gatoil, which employs 1,200 people and has 350 petrol stations in Switzerland, has been up for sale since its owner Khamil Ghattas was arrested in March last year in connection with huge losses at Klöckner & Co, the West German trading group. Lebanese-born Ghattas was extradited to Germany last September.

INTERNATIONAL COMPANIES AND FINANCE

NESE COMPANY RESULTS

eavy machinery akers register bstantial rises

tina Gannon in Tokyo

Japanese heavy ery manufacturers ed sharp increases in in the year to March, of machinery, power and aerospace equip- ie.

ishi Heavy Industries ie industry leader and oplier to the country's agency, posted the pre-tax profit gain of ? – up 61 per cent to ($920m).

sales rose by 22 per Y140.4bn, with net ncreasing 12 per cent on. Domestic sales of stems, which account er cent of total sales, per cent to Y629.4bn exports fell 25 per

profits of Ishikawajima-Harima Heavy Industries (IHI) climbed 18.7 per cent to Y15.3bn and Kawasaki Heavy Industries (KHI) advanced 24.6 per cent to Y17.1bn.

Both companies recorded sales gains – IHI of 2.8 per cent to Y632.8bn and KHI of 5.9 per cent to Y812.8bn – despite plant sales at IHI dropping 15 per cent and KHI suffering a 19.4 per cent fall in its shipping division.

In the current year MHI, which is expanding its environmental equipment company, sees its annual Y1 per share dividend rise continuing. It estimates a pre-tax income gain of 6.8 per cent to Y150bn, and sales of Y2,250bn. KHI foresees sales up 8.2 per cent to Y880bn with pre-tax profit of Y20bn, up 16.4 per cent.

emicals advance

ina Gannon

S leading chemical es posted growth in fits and sales in the March, as demand for ic fibre increased and sales of coke and m materials rose.

ishi Kasei, the indus- gest integrated pro- nnounced a 1.4 per in pre-tax profits to ($234m) and sales of up 8.3 per cent on ding 12-month period.

r comprehensive turer, Mitsui Toatsu s, saw its pre-tax prof- record Y33.5bn, up nt. Its sales increased cent to Y413.3bn although operating profits were down due to higher material costs and sluggish sales of some products.

Mitsui Toatsu suffered a special loss of Y14.3bn following the withdrawal of the group from a petrochemical complex project in Iran last year.

In the year to March 1991, the company expects its pre-tax profits to drop for the first time in five years to Y31bn, down 7.5 per cent. It estimates sales will rise 2.8 per cent to Y425bn.

Mitsubishi Kasei foresees its sales rising 1.1 per cent to Y740bn and pre-tax profits of Y39bn, up 3.9 per cent.

rochemicals ahead

na Gannon

SE petrochemical weathered the prob- ing imported raw prices in the past reported modest pre- in the year to March e sales in all divi-

ishi Petrochemical, reported a 2.1 per n pre-tax income to m). Its sales were n, a gain of 11.8 he net income was e figures were cal- extrapolation of the the irregular three- to March 1989.

etrochemical Indus- is diversifying into speciality chemicals, posted a pre-tax profit gain of 8.5 per cent to Y35bn. Its net income was Y19.2bn, and sales rose to Y297.5bn, up Y2.5 per cent. Gains on securities the company sold helped boost its yearly income.

Both companies plan large investments in new plants for the current year. Mitsui, which raised its per-share dividend in the year to March by Y0.5 to Y7.5, foresees pre-tax profits falling 14.4 per cent to Y30bn on sales of Y305bn, up 2.5 per cent. Mitsubishi estimates sales of Y400bn, up 3.8 per cent, with pre-tax profits of Y54.5bn, up 0.7 per cent.

co Central resells stock

Banco Central has per cent of its bought back from uitor Cartera Cen- Alfonso Escamez, Reuter reports. buyers included the French construction group, which raised its stake by 1 per cent to 4.5 per cent to become Banco Central's main shareholder, and Prudential Securities of the US which bought 4 per cent. Prudential Securities will retain 3 per cent.

Lau brothers agree to HK exchange demand

By Angus Foster

HONG KONG'S controversial Lau brothers have backed down from a confrontation with the colony's stock exchange and agreed to its demands regarding a proposed property transaction.

The exchange had earlier warned that China Entertainment and Paul Y. International, two companies controlled by the Laus, could face delisting if a connected transaction between the two was not approved by independent shareholders, as laid down in the exchange's listings rules.

The brothers, Mr Joseph Lau and Mr Thomas Lau, at first disagreed with the ruling and claimed the property deal was not a connected transaction.

But yesterday they said after "further discussion" with the exchange, the deal would be put to the vote for both companies' shareholders.

The Laus also agreed to the exchange's ruling that shares held by China Entertainment in Paul Y should not be voted at the meeting and an independent financial adviser would be appointed to decide if shares in China Entertainment held by other Lau family companies can be voted.

Hong Kong to extend maturities of bills

By Angus Foster in Hong Kong

THE Hong Kong Government is to extend maturities of bills issued under its Exchange Fund bills programme from 91 days to up to 12 months.

The decision, which came earlier than expected, was seen by bankers as a way to bolster the colony's capital markets and prepare the way for the Government to issue medium-term debt at a later stage.

The Exchange Fund bills programme, which began in March and is soon to complete its first 13-week cycle, is designed as a tool to influence money supply rather than to raise cash. Hong Kong has run a budget surplus since the mid-1980s and, before the bills, had not issued any government debt since 1984.

But with the economy slowing and planned infrastructure projects set to cost about HK$127bn (US$16.3bn), at least some of which is likely to come from borrowing, extending the maturities under the programme should establish a benchmark and a mechanism for issuing longer term government debt.

Mr Patrick Thomas, managing director of Manufacturers Hanover and chairman of the Hong Kong Capital Markets Association, welcomed the decision which, he said, would lead to more activity in the market while extending the government benchmark further along the yield curve.

Mr Joseph Yam, Deputy Secretary for Monetary Affairs, said that if the Government decided there was a need for medium-term bills, they would be issued by the general revenue account rather than the Exchange Fund, which as supplier of interbank liquidity is responsible for managing the Government's reserves and influencing interest rates.

Mr Yam said the first cycle of bills would have raised close to HK$4bn by the time the thirteenth issue was put out to tender next week. He said the yield range on successful tenders had fallen from close to 100 basis points on the first issue to seven basis points on the most recent, suggesting dealers were now using the programme.

Bankers in Hong Kong said the programme had been a success overall, although the thin secondary trading and an initial lack of interest from corporate investors were disappointing. Because the bills are the only Hong Kong dollar instrument not subject to a 16.5 per cent profits tax, some capital market specialists fear banks are locking the bills away until maturity, thus damping down the secondary market.

Jameel victory loosens some bricks in the wall

Jane Fuller on the implications of the £172.5m Saudi Arabian takeover of Hartwell

THERE WAS once a theory that the motor manufacturers would protect the groups that sell their cars from hostile takeover.

Friday's capitulation of Hartwell, the Oxford-based motor distributor, to the £172.5m unwelcome bid from the Saudi Arabian Jameel organisation has punctured that theory; and by next summer, when the Monopolies and Mergers Commission reports on the franchised dealership system, it may be consigned to long memories.

When Hartwell, headed by Mr Peter Huggins, reported its interims last November, it looked vulnerable. Pre-tax profit was flat, interest payments had shot up, the £30m acquisition of the Charles Clark and Ford & Slater businesses was looking expensive.

The prospective multiple of 14 was largely accounted for by bid speculation based on Jameel's then 18 per cent stake. But it was said that Hartwell had a poison pill in the shape of the motor manufacturers: just because the businesses were sold to another group, it did not mean the right to sell their cars would go with it.

And yet on Friday, Hartwell was using an argument about pressure from the manufacturers to justify its decision to accept the 155p per share offer (14p above the market price) after all. The Jameel bid vehicle Oakhill added a couple of dividend payments to sweeten acceptance of an offer which had lapsed in March after it gained 43 per cent of the equity.

The problem for Hartwell was that Jameel was bound to gain control by 1992 anyway, through converting preference shares. As a result, the luxury car makers who had already objected to the idea of a Jameel takeover kept on objecting.

The volume manufacturers, on the other hand, far from vetoing the takeover, seemed more concerned about the ill effects of uncertain control of the business than about who ultimately owned it.

Ford, the market leader, is regarded as the strictest when it comes to rules governing its franchise holders. For example, it puts a limit of eight on the total number one group can have and it will not allow any of the dealerships to be within 30 miles of each other. Like the other manufacturers, it stresses that the franchises will not be automatically transferred to new owners of the business.

In the case of the Hartwell takeover, Ford has flexed its muscles to a very limited extent. It might ask for the sale of one or two franchises to sort out anomalies hanging over from Hartwell history. It could in any case have done that had Hartwell remained independent because as soon as a bid is announced, the dealership agreement goes on three months notice.

Ford made a point of saying that it regarded Jameel as "a good prospect." It was impressed by the organisation's Toyota distribution network in Saudi Arabia and it also approved of the way Jameel was "bending over backwards to comply with the conditions of the change of ownership."

In other words, it could have been awkward but it chose not to be: still a position of some power.

Other volume car makers took a less forbidding stance. Rover, for which Hartwell has a dozen franchises, said it had no particular "attitude" to takeovers or changes of ownership.

Rupert Carington (left) chairman of Oakhill – the Jameel bid vehicle – and Peter Huggins, the Hartwell chief

Its franchise policy was simply that it should have good geographic coverage of the market and that the dealers were capable of projecting the right image in the "new Rover era."

Vauxhall (two Hartwell franchises) expressed an even simpler view. "Our primary interest has been in ensuring that customers have continuity of service. There has been no suggestion that we would take our franchises away."

This leaves the most hostile noises coming from the luxury car makers, Mercedes-Benz, Jaguar and BMW, which account for a total of eight out of Hartwell's more than 50 car and commercial vehicle franchises.

Both Mercedes and Jaguar confirmed their doubts on Friday, questioning whether Jameel had sufficient experience of the luxury car market. Mercedes also turned up its nose at "an unwelcome takeover of a British group."

But as Mr Rupert Carington, chairman of Oakhill, has pointed out, none of the manufacturers are likely to say yes or no to the transfer of franchises without hearing the new management's case.

One analyst said that a manufacturer withdrawing franchises would be "cutting off its nose to spite its face," because – in a highly competitive market – sales of its cars would be damaged by removing them from established shop windows.

So has the episode served to show that the idea that manufacturers can veto takeovers is so much bluster?

It has certainly shown that such perceived threats cannot outweigh an attractive offer. The price represented 17 times historic earnings in a market which is still less than halfway through a bad year and which is not expected to bounce back until after a significant fall in interest rates.

It has also shown a relatively open mind among the volume car makers about who holds their franchises. After all, some of the arguments, for example about customer care, put forward by Oakhill will have been music to their ears.

It must, however, be remembered that because Jameel did not have other UK franchises, and because of its compliance, it has yet to threaten the manufacturers' franchising rules. (If it were to go for the Ford-dependent Trimoco, in which it will shortly move up to a 27 per cent stake through conversions, that would be a different matter).

Most analysts, however, do not see Hartwell's fall as starting an "open season" for the takeover of motor distributors, even though the fragmented sector is said to be crying out for consolidation.

What has changed is the factors holding back the flood. Conventional business reasons (the poor outlook for earnings, high levels of debt) will be cited for putting off predators, instead of a poison-pill-like stance from the manufacturers. And Hartwell has laid down a full-price marker, in spite of the low point in the business cycle.

Over and above all this, with the ominous report deadline of August 1991, is the challenge to the franchise system and to car prices posed by the MMC investigation. That report could in turn have implications for EC policy towards the operation of new-car markets after 1995, when the current permission for EC-wide exclusive car franchise systems expires.

While the Jameel victory may have loosened some bricks in the wall protecting the conventional ways of the dealership sector, the MMC may open the way for several cars to be driven through it.

Weavers report says DTI is 'lax' on insurance market supervision

By Patrick Cockburn

SUPERVISION OF the London insurance market by the Department of Trade and Industry is lax and complacent according to a special report on the crisis at HS Weavers (Underwriting) Agencies.

Mr Chris Morrison, the editor of the Report, a specialised newsletter on reinsurance, in a report* on Weavers, formerly the largest writer of US liability insurance in the London market, says that the DTI is so short of specialised insurance staff that last year it had to ask insurance companies to second staff to the department to help regulate their own industry.

Weavers, a subsidiary of London United Investments, stopped doing new business in March when other LUI subsidiaries were found to have insufficient reserves to meet future claims.

The DTI itself has rejected suggestions that it has failed to deal with the situation at LUI either before or after the company stopped doing business in March.

According to Mr John Redwood, Minister of State at the DTI, responding to Labour party criticism of the way his ministry has handled the LUI affair, the actual state of affairs at the company "was first uncovered by actuarial investigations instigated by the department." He says the DTI then immediately took steps to stop LUI doing new business.

Mr Morrison, says that last year the DTI asked for six "secondees" from the UK insurance industry: "It was envisaged that each "secondee" would scrutinise the annual returns of a number of companies, advise the trade minister on whether he should use his statutory powers and meet senior members of selected companies to discuss their business plans."

The London insurance market for major commercial risks has always been heavily international and averse to supervision. Lloyd's of London, a key part of the market, is largely self regulating. As a result, problems originating in the UK "often end up in the lap of regulatory authorities elsewhere."

Turning to Weavers, the report says that there is little chance it will survive because nobody is sure how much money in fresh reserves to meet old claims would be needed to to keep it going.

Mr Morrison is highly critical of the past management of LUI and Weavers, concluding: "Too much commission stripped from inadequately rated premiums over too many years has taken its inevitable toll at Weavers. Much of this commission ended up in the accounts of LUI, which among its many concerns had a UK share price to keep high."

LUI's share price peaked at over 300p a couple of years ago before dropping to 30p in March when the shares were suspended.

The ultimate downfall of LUI came in March when, at the request of the DTI, consulting actuaries Tillinghast produced a preliminary report on six LUI subsidiaries. These were no longer taking new business but had done underwritten extensive business taken by Weavers in the late seventies and early eighties.

A final report from Tillinghast on the shortage of reserves needed to meet future claims is still expected. According to Mr Peter Wilson, formerly chief executive of LUI, the under reserving is of the order of £75m to £100m.

In an examination of the accounts of the six subsidiaries Mr Morrison concludes that "over the last few years the entire Weavers edifice has come to rest on an increasingly fragile financial base."

Mr Ronnie Driver and Mr Peter Wilson, the figures associated with the rise and fall of LUI and its chief subsidiaries Weavers and Walbrook Insurance Company, were removed from their executive positions last week.

Efforts to contain the impact of the crisis at LUI have been led by the major brokers, notably the Sedgwick Group and Marsh & McLennan. The brokers' prime interest has been to ensure that current policyholders whose insurance protection was written through Weavers get their claims paid.

The incentive for the brokers to arrange for the reserves of LUI's subsidiaries to be topped up is that if they are not, disgruntled clients are likely to sue their brokers for doing business with Weavers.

● The court appointed administrators of London United Investments confirm that some of LUI's subsidiaries will continue to be unable to pay claims.

H.S. Weavers (Underwriting) Agencies will handle the run-off of old business of these insurance subsidiaries and is paying claims on behalf of Walbrook Insurance Company and other non-group companies.

*The Inside Story of the Weavers Insurance Pool by Chris Morrison, Evandale Publishing, 28pp, £265.

Panel decision expected early this week on Rank offer

THE TAKEOVER Panel is expected to decide early this week whether or not the Rank Organisation's interpretation of its offer for Mecca Leisure's preference shares falls within the terms of the City code on takeovers and mergers, writes David Churchill.

Rank's £506m offer for Mecca, announced last Friday, is conditional on the Takeover Panel ruling that Mecca's preference shares are not regarded as equity share capital. This is because the Rank offer of 75p per share for the preference shares is higher than the equivalent offer for Mecca's ordinary shares.

If the Panel rules against Rank, then the offer for the preference shares would be worth 56.1p rather than 75p.

Rank's pre-condition is, however, seen by City analysts as little more than a formality since Rank's decision to go ahead with a takeover rather than buy Mecca assets piecemeal indicates its strong desire to acquire the whole operation.

Rank sees the acquisition of Mecca's assets in a number of key leisure markets as strengthening its ambition of being the largest operator in those areas.

Meanwhile Mr Michael Guthrie, Mecca's chairman, and other senior executives, were meeting over the weekend to determine their strategy in defence of the Rank bid. Mecca is expected to concentrate its defence on persuading the Office of Fair Trading to refer the bid to the Monopolies and Mergers Commission.

FT Share Service

The following securities were added to the Share Information Service in last Saturday's edition:

Northern Investors Company (Section: Trusts, Finance, Land).

Owners Abroad 9.75p (Net) Conv. Cum. Red. Pref. (Leisure).

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetables.

TODAY

Interims- Hardanger Properties, NFC, Sanderson Electronics, Sturge.

Finals- Anglo American Corporation of South Africa, Betterware Consumer Products, CML Microsystems, Channel Express, Chillington, Cook (William), De La Rue, Great Portland Estates, Leigh Interests, Optometrics, Vinplant.

FUTURE DATES

Interims-

Lovell (Y.J.) .... June [illegible]

Finals-

Courts (Furnishers) .... June [illegible]

Fashion & General Inv .... June [illegible]

Finlay (James) .... June [illegible]

Lancs .... June [illegible]

FINANCIAL TIMES STOCK INDICES

	June 1	May 31	May 30	May 29	May 25	May 24	1990 High	1990 Low	Since Compilation High	Since Compilation Low
Government Secs ..	78 67	78 31	78.58	78.16	78.25	78.36	84.20	74.13	127.4	49.18
Fixed Interest . .	87.45	87 28	87.27	87.24	87.08	87.29	92.91	83.80	105.4	50.53
Ordinary .	1882 4	1855 0	1857.4	1823.3	1800.0	1805.2	1968.3	1653.6	2008.6	49.4
Gold Mines .	212.2	213.3	216.2	215.7	211.2	209.7	378.5	207.1	734.7	43.5
FT-Act All Share.....	1165 28	1154.24	1154.29	1132 24	1120.03	1124.61	1226.83	1043.16	1238.57	61.92
FT-SE 100	2371.4	2345 1	2346.2	2295.6	2265.6	2277.1	2463.7	2103.4	2463.7	986.9

DIARY DATES

Trade fairs and exhibitions: UK

June 12-14
International Fire Protection Exhibition – FIREX (01-207 5599)
NEC, Birmingham

June 14-23
Grosvenor House Antiques Fair 0799 26699)
London

June 19-21
PC User Show (071-404 4844)
Olympia

June 21-24
Royal Highland Show (031-333 2444
Ingliston Showground, Edinburgh

June 23-24
Classic Car Show (044282 3388)
Brighton

June 26-28
Midland Secretary Show (081-868 4466)
NEC, Birmingham

June 28-30
Careers and Higher Education Fair - DIRECTIONS (081-940 5668)
Olympia

Overseas exhibitions

June 10-13
International Petroleum and Petrochemical Equipment Exhibition - PETRO/EXPO (0829773474)
Mexico City

June 12-14
CAD/CAM & Robotics Exhibition (081-940 3777)
Toronto

June 14-18
International Environmental Protection and Control Equipment and Technology Exhibition (0494 729406)
Manila

June 25-29
International Biotechnology Trade Fair – AMSTERDAM BIOTECHNOLOGY (071-495 7977)
Amsterdam

June 26-30
International Industrial Development Technology, Machinery and Equipment Exhibition - ITM (071-486 1951)
Kuala Lumpur

Business and management conferences

June 6
International Business Communications: Investment Trusts (071-637 4383)
Regent Crest Hotel

June 7-8
The Textile Institute: Market opportunities in a changing world (061-834 8457)
Royal Garden Hotel, London

June 11-15
NALGO annual conference (071-388 2366)
Bournemouth

June 12
IBC: Dematerialisation - the implications for the securities industry (June 11); The future of the UK securities industry (June 12) (071-637 4383)
Cafe Royal, London

June 12-13
Financial Times Conferences: The publishing industry in the 1990s (071-925 2323)
Hotel Inter-Continental, London

June 15
IBC Conferences: Evaluation – the key to investing effectively in training (071-379 7400)
Centre Point, London

June 15
The Economist: Technology: making your IT investment work for you (071-976 6565)
Marriott Hotel, London

June 20
Mintel: Tomorrow's retailing: juggling for success (071-606 4533)
The Barbican, London

June 21-22
Beverley Training Services: Winning the trade battle in Greater Europe (0482 868362)
Willerby, near Hull

June 25-26
Financial Times Conferences: World gold conference (071-925 2323)
Venice

June 25-26
The Economist: Insurance: How an industry goes global (071-976 6565)
Royal Garden Hotel, London

June 26-27
American Metal Market/Paine Webber's World Steel Dynamics: Steel survival strategies V – Harnessing steel's technological revolution (US 212 741 4156)
Plaza Hotel, New York

June 28
The Conference Company: The road to the German information technolgy market – How UK based companies can kick off their marketing campaigns in Germany (071-486 4533)
Le Meriden, London

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there have been no changes to the details published

FINANCIAL

TODAY
COMPANY MEETINGS-
Barr & Wallace Arnold Trust, Queens Hotel, City Square, Leeds, 12.00
Gowrings, Sandford Spring Golf Club, Wolverton, Hants., 12.00
London Finance & Inv., Armoury House, City Road, EC., 12.00
Perry, Abraham Lincoln Room, Savoy Hotel, WC., 12.00
Trusthouse Forte, Grosvenor House, Park Lane, W., 11.00
BOARD MEETINGS-
Finals;
Anglo American Corp. of South Africa
Betterware Consumer Products
CML Microsystems
Channel Express
Chillingson Corp.
Cook (William)
De La Rue
Great Portland Estates
Leigh Interests
Optometrics
Vibroplant
Interims;
Hardanger Props.
NFC
Sanderson Electronics
Sturge Hldgs.
DIVIDEND & INTEREST PAYMENTS-
Beckman (A) 1.63p
British Aerospace 14.8p
Cluff Resources 1p
Copymore 1.7p
Enserch Corp. 20cts
Headlam Group 1.65p
Highland Distilleries 1.2p
IBM Credit Corp. Fltg. Rate Yen-Linked Nts. 4/12/95 $428.56
Lockheed Corp. 46cts
Low (Wm) 2.5p
Lyles (S) 1.6p
McKechnie 5p
Nationwide Anglia Bldg. Soc. 14$\frac{5}{8}$% Bds. 2/7/90 7.15625pc
Rockwell International Corp 19.5cts
Scottish Television 20p
Thomson Clive Invs. 2p
Tudor 1.7p
Waca 5.75p

TOMORROW
COMPANY MEETINGS-
Antofagasta Hldgs., Great Eastern Hotel, Liverpool Street, EC., 11.00
Bank of Scotland, The Mound, Edinburgh, 12.15
Boot (Henry), Baldwins Omega, Brincliffe Hill, Sheffield, 12.00
Brammer, Glaziers Hall, Montague Close, London Bridge, SE., 12.00
Delyn Packaging, Holiday Inn, Mill Lane, Cardiff, 10.30
Elys (Wimbledon), 22/26, Wimbledon Hill Road, Wimbledon, SW., 6.00
Higgs & Hill, The May Fair Hotel, Stratton Street, W., 11.00
Lamont Hldgs., Caledonian Hotel, Princes St., Edinburgh, 12.00
Perkoe, Cafe Royal, 68, Regent Street, W., 12.00
Meggitt, Merchant Tailors Hall, Threadneedle Street, EC., 12.00
Travis Perkins, Lord's Banqueting & Conference Centre, St. Johns Wood Rd., NW., 12.00
BOARD MEETINGS-
Finals;
Allied Colloids
Apricot Computers
Argyll
Atkins Bros. (Hosiery)
Brown (N)
Marshalls
North West Water
Oriflame Intl.
Powell Duffryn
Reed Intl.
Rowlinson Secs.
Interims;
Saatchi & Saatchi
Warringtons
DIVIDEND & INTEREST PAYMENTS-
AGA Non-Restricted Series B SEK7
Allied Partnership 1p
Ambassador Security 0.5p
Antofagasta 11p
Apricot Computers 5p
Bank of Ireland Und. Var. Rate Nts. $2251.67
Boot (Henry) 15p
Cannon Street Invs. 5.5p
Gillette 27cts
Higgs & Hill 15.6
Homestake Mining 5cts
Nestle SA (Reg) SF200
Do. (Br) SF40
New Central Witwatersrand Areas 47cts
St. Ives 1.5p
Tronoh Mines Malaysia Berhad Sen25
Tulliff Corp. 10.75p
Vanbrugh Currency Fund Ptpg. A Red. Pf. 9.8p
Do. Ptg. B Red. Pf. £9.60

WEDNESDAY JUNE 6
COMPANY MEETINGS-
Baillie Gifford Technology, 10, Glenfinlas Street, Edinburgh, 12.00
Citygrove, Coronation Room, The Hilton Hotel, Park Lane, W., 3.00
Folkes, Plough & Harrow Hotel, 16, Hagley Road, Edgbaston, Birmingham, 12.00
Frost, Ringwood House, Walton Street, Aylesbury, Bucks., 12.00
Kingfisher, Mayfair Intercontinental Hotel, Stratton Street, W., 12.00
London & Manchester, Armourers' Hall, 81, Coleman Street, EC., 12.15
Telemetrix, Founders Hall, Cloth Fair, EC., 11.00
BOARD MEETINGS-
Finals;
Caffyns
Channel Tunnel Invs.
Electrocomponents
Erskine House
Fletcher King
Harwell
Kembray
Thames Water
Interims;
ABI Leisure
Daily Mail & General Tst.
French (Thomas)
Powerscreen Intl.
United Drug
DIVIDEND & INTEREST PAYMENTS-
Astec (BSR) 2.35p
BFG Finance Fltg. Rate Nts. 1996 $218.82
Beazer 2.7p
Bourne End Props. 2p
Broken Hill Prop. 19cts
Exmoor Dual Inv. Tst. 2.35p
Export-Import Bank Of Korea Fltg. Rate Nts. 1995 $425.55
Glynwed Intl. 7½% Deb. Stk. 89/94 3.75pc
Gowrings 3.375p
Greenhall Whitley 7¼% Deb. Stk. 87/92 3.625pc
Do. 4½% Deb. Stk. 87/92 2.25pc
Ladbroke 8% Gtd. Uns. Ln. Stk. 90/92 4pc
National Westminster Bank Var. Rate Cap. Nts. 2009 £389.11
New Zealand Fltg. Rate Nts. 1998 $413.95
Standard Chartered Und. Prim. Cap. (Ser. 3) $421.51
UDO Hldgs. 1.35p
WSP Hldgs. 1.5p
Watney, Mann & Truman Hldgs. 7% Red. Deb. Stk. 86/93 3.5pc

THURSDAY JUNE 7
COMPANY MEETINGS-
African Lakes, 24, Gilbert Street, W., 11.30
Coats Viyella, Hotel Piccadilly, Piccadilly Plaza, Portland Street, Manchester, 2.30
EIS, Brewers Hall, Aldermanbury Square, EC., 11.00
Etam, Barber-Surgeons' Hall, Monkwell Square, Wood Street, EC., 12.00
Glynwed Intl., National Motorcycle Museum, Coventry Road, Bickenhill, Solihull, West Midlands, 12.00
Huntleigh Technology, The Institute Of Directors, Burton Suite, 116, Pall Mall, SW., 12.00
Martin Currie Pacific Trust, 29, Charlotte Square, Edinburgh, 12.30
Rathbone Bros., Lower Grosvenor Place, SW., 3.00
Rockfort, Gaumont Room, 20, Fenchurch Street, EC., 10.00
Sherwood Computer Services, Butchers Hall, Bartholomew Close, EC., 12.00
United Inds., Barkby Road, Leicester, 9.30
BOARD MEETINGS-
Finals;
Boots
Crown Communications
Fashion & General Tst.
Hunter Saphir
Lanca
New Throgmorton Tst. (1983)
Nororos
Northern Foods
Oxford Instruments
Pilkington
600 Group
Thornton Pacific Inv. Fund
Yale & Valor
Interims;
RCO
Sanders
DIVIDEND & INTEREST PAYMENTS-
Chepstow Racecourse 1p
Consolidated Gold Fields Fin. Gtd. Fltg. Rate Nts. 1995 £195.34
Investors Capital Trust 1.2p
P & O Property Hldgs. 7½% 1st Mtg. Deb. Stk. 97/2002 3.75pc
Racal-Chubb 8% Uns. Ln. Stk. 92/95 4pc
Do. 8½% Uns. Ln. Stk. 87/92 4.25pc
Thames Television 5.85p
Waterford Foods A Ir1.35p

FRIDAY JUNE 8
COMPANY MEETINGS-
Associated Farmers, The Oaks, The Cantley Estate, Nr. Norwich, Norfolk, 10.00
Bentalls, Guildhall, Kingston-Upon Thames, Surrey, 12.00
Cargo Control, 315, Norwich Street, EC., 10.00
House Of Lerose, Botanical Gardens, Westbourne Road, Edgbaston, Birmingham, 12.00
How, Chamber Of Commerce, 75, Harbourne Rd., Edgbaston, Birmingham, 12.00
Whatman, The Institute of Chartered Accountants, Chartered Accountants Hall, Moorgate Place, EC., 12.30
BOARD MEETINGS-
Finals;
Anglian Water
Portsmouth & Sunderland Newspapers
Property Partnerships
Interims;
Dwyer
Heavitree Brewery
United Scientific
DIVIDEND & INTEREST PAYMENTS-
Allied-Signal Inc. 45cts
American Plastic Tech. 2.5cts
Anglo American Investment Tst. 3050cts
Anheuser-Busch Cos. Inc. 22cts
Aspen Communications 5.4p
Bank of Ireland Und. Fltg. Rate Prim. Cap. Nts. $222.01
BankAmerica Corp. 25cts
Boeing 37.5cts
Cambridge Grp. Ir27p
Chase Manhattan Fltg. Rate Nts. 2009 $218.82
City Centre Restaurants 0.815p
Cityvision 0.5p
Colroy 2.25p
Dukeminster 1.35p
Dun & Bradstreet Corp. 53cts
East Daggafontein Mines 58cts
Elys (Wimbledon) 13.5p
Epwin 4.2p
Glaxo Hldgs. 7p
Great Southern 5.4p
Gresham Inds. 2cts
Hafnia Hldgs. AS A DK10
Do. B DK10
Intl. Business Comms. 3p
Ipeco Hldgs. 2p
Laing (John) 10p
Do. A Non Vtg. 10p
London & Manchester 6.285p
London & Strathclyde Tst. 1.5p
MY Hldgs. 0.55p
Meggitt 2.2p
National Medical Enterprises 18cts
Prestwick Hldgs. 0.5p
Reed Intl. 5% Cum. Prf. 1.75p
River & Mercantile Extra Income Tst. 1.875p
Roskel 3p
Smiths Inds. 3.6p
Spring Ram Corp. 0.28p
Sun Co. Inc. 45cts.
Texaco Inc. 75cts
Thornton Asian Emerging Markets Inv. Tst. 1.1p
Tottenham Hotspur 1p

SATURDAY JUNE 9
COMPANY MEETINGS-
Nurdin & Peacock, Heathrow Park Hotel, Bath Road, Longford, West Drayton, 11.30
DIVIDEND & INTEREST PAYMENTS-
European Investment Bank 9½% Ln. Stk. 2009 4.75pc
General Motors Corp. 75cts
Do. Bdrs. 3.75cts
Houston Inds. Inc. 74cts
Intl. Business Machine Corp. 121cts
Lilly (Eli) & Co. 41cts
The Travellers Corp. 60cts
Treasury 10% Ln. 1994 5pc
USX Corp. 35cts

SUNDAY JUNE 10
DIVIDEND & INTEREST PAYMENTS-
Grace (WR) & Co. 35cts
Scott Paper 20cts
Treasury 8% Stk. 1991 4pc
Value & Income Tst. 1.2p

PARLIAMENTARY

Today

Lords:War Crimes Bill, second reading.

Tomorrow

Commons: Debate on the Army.
Lords: Broadcasting Bill, second reading.

Wednesday

Commons:Opposition debate on subject to be announced.
Lords: Debate on European political and monetary union.
European Parliament Electoral Reform Bill, third reading.
Associated British Ports (No. 2) Bill, third reading.
Rights of Way Bill, second reading.
Question to Government on action against flags of convenience ships infringement of North Atlantic Salmon Conservation Organisation Convention on Salmon Fishing.
Select committees: Environment. (Room 21, 10.30 a.m.)
Defence:subject, implications for UK policy of recent events in Europe. Witnesses: Mr Denis Healey MP, and Lord Carrington. (Room 15, 10.50 a.m.)
Energy: subject, departmental spending plans 1990-91. Witnesses: Mr G. H. Chipperfield, permanent under-secretary, and other Energy Department officials. (Room 8, 11 a.m.)
Home Affairs: subject: Form and content of Home Office annual report. Witness: Sir Clive Whitmore, Home Office permanent under-secretary. (Room 15, 4.15 p.m.)
Social Services: subject, public spending on social security. Witnesses: DSS officials. (Room 21, 4.15 p.m.)
Transport: subject, urban public transport, the light rail option. Witnesses: Frank Graham Consulting Engineers and Badgerline Buildings. (Room 17, 4.15 p.m.)
Treasury and Civil Service: subject, public expenditure. Witness: Department of National Savings. (Room 8, 4.30 p.m.)
Committees on private bills: Hythe, Kent, Marina Bill (Room 5, 10.30 a.m.) and Tees and Hartlepool Port Authority Bill (Room 6, 11 a.m.)

Thursday

Commons:Food Safety Bill, remaining stages.
Lords: National Health Service and Community Care Bill, report.
Motor Trade (Consumer Protection) Bill, report.
Computer Misuse Bill, committee.
Committees on private bills: Hythe, Kent Marina Bill (Room 5, 10.30 a.m.) and Tees and Hartlepool Port Authority Bill (Room 6, 2.30 p.m.)

Friday

Commons: Private members' motions.

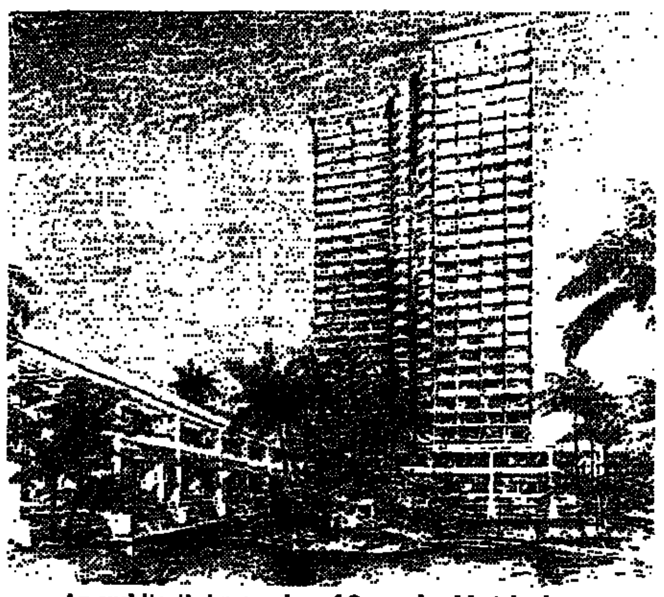
CONSTRUCTION CONTRACTS

Queensland hotel development

BARCLAY MOWLEM of Australia, part of the Mowlem Group, has been appointed construction manager for a A$75m (£33.5m) hotel development on Queensland's Gold Coast. Being built for two Japanese companies, Town Development and Showa Build, it is scheduled to have a five star rating and is planned to be the finest building on the Gold Coast.

Located on the Nerang River in an extensive tropical waterscape, the 24 level tower will have 353 rooms with guest suites, a club floor and a presidential suite, serviced by seven lifts. A four-level podium will house speciality restaurants, interior and exterior bars, a large ballroom, seven conference rooms, a health club, kitchen, laundry and back-of-house facilities with car parking beneath.

Barclay Mowlem was chosen from 22 companies who bid for the fast-track project and the decision was based on the experience of the site team and its ability to complete the project on time and within budget.



An architect's impression of Queensland hotel scheme

While the architect was finalising his first impressions of the hotel Barclay Mowlem was already on site, excavating the two-level car park.

Completion of the building of the hotel is sceduled for February 1992.

Hong Kong naval base scheme

PSA INTERNATIONAL has won a major design and project management commission for the HK$300m development of a naval base on Stonecutters Island, Hong Kong. This commission, awarded by the Hong Kong Government, is the first non-UK Government contract to be won since the April 1990 formation of the international arm of PSA Services.

The current naval base in Hong Kong is HMS Tamar, located on a high value waterfront site overlooking Victoria Harbour in the commercial heart of Hong Kong island. The new development will replace the HMS Tamar facilities with modern living accommodation and workshops on Stonecutters Island which lies about one mile off the Kowloon waterfront.

The new naval base scheme will be phased and this commission includes married quarters for officers and for ratings, single living accommodation, squadron headquarters, workshops and infrastructure as well as the improvement of existing port facilities. Design development is to start immediately and occupation is due for early in 1993.

PSA International is to provide project management services and the architectural and mechanical and electrical design services and be responsible for the geotechnical, civil and structural engineering commissions. PSA Services, created on April 1, is the commercial successor to the Property Services Agency.

£33m orders for Turriff Construction

TURRIFF CONSTRUCTION has won contracts in excess of £33m.

The largest, at £5.9m, is for the design and build of a five-storey office block at Telford. A second office contract for £1.2m is also in Telford.

In Milton Keynes, the company has won a warehouse and office contract worth £2.7m.

A contract valued in excess of £5m has been won to design and build a 132 bedroom, four-storey Novotel hotel in Wolverhampton. On an adjacent site in Wolverhampton a £3.2m contract has been awarded for a three-storey office block.

In the North West, Turriff has secured a contract of £2.2m to build extensions at a High School in the Wirral.

In the Midlands, orders worth in excess of £7m have been awarded to the company, the largest of these is from Sandwell Metropolitan Borough Council for two blocks of sheltered accommodation containing 41 flats and a warden's house. Two contracts worth £3.3m have been awarded for modernisation and evironmental improvements to 229 homes at Dudley and 128 homes in Walsall.

Further orders totalling more than £2.4m include repairs to a primary school in Cambridgeshire, the design and build of three industrial units in Oxfordshire and repairs and re-development work for Argos at Daventry, the R.A.F. at Henlow and Cannock Chase District Council at Rugeley.

Office plan for King's Cross

HIGGS AND HILL MANAGEMENT CONTRACTING has been awarded a contract worth £7m by P & O Developments for the construction of a five-storey office block, close to King's Cross Station, in London.

The building will have a reinforced concrete frame and basement, on piled foundations. The pitched roof will be steel framed with Welsh slates and copper covered dormer windows.

Externally, the building will be clad in natural stone on the ground floor and a combination of brickwork and reconstructed stone on the floors above.

The project will create 58,000 sq ft (gross) of air conditioned office accommodation with plant rooms at basement and fourth floor levels. Raised floors and metal tiled suspended ceilings will be provided throughout. Work has commenced on site and the project is due for completion in February 1991.

Supermarket for Derby

Contracts valued at over £9m have been awarded to WILLIAM DAVIS, the Loughborough-based developer and contractor.

Included in the contracts is an £8.7m supermarket to be built on behalf of a leading national supermarket chain.

This project is to take place at the multi-million pound retail development and business park, the Wyvern, in Derby.

Other projects include a new showroom for Mercedes Benz at Kettering, worth £650,000, together with an industrial extension, worth £305,000, for Chas. Hall, a hosiery manufacturer in Shepshed.

CONTRACTS & TENDERS

LEGAL NOTICES

BROMPTON HOLDINGS PLC

A Petition was presented to the Court of Session on Friday 25th May 1990 by Brompton Holdings plc, a company incorporated under the Companies Acts and having its Registered Office at Silverburn Place, Bridge of Don, Aberdeen for confirmation of reduction of share premium account.

The Court by Interlocutor dated Tuesday 29th May 1990 ordered intimation and advertisement of the Petition and appointed all parties claiming an interest to lodge Answers thereto, as so advised, within 21 days of such intimation and advertisement.

Of all which intimation is hereby made.

A C BENNETT & ROBERTSONS, WS
Solicitors for the Petitioners
16 Walker Street
Edinburgh EH3 7NN

THOMAS HUNTER (N/C) LIMITED

NOTICE IS HEREBY GIVEN, pursuant to section 48 of the Insolvency Act 1986, that a MEETING of CREDITORS of the abovenamed company will be held at the offices of Cork Gully, Archbold House, Archbold Terrace, Newcastle upon Tyne NE2 1DO on 8 June 1990 at 11.00 am for the purposes of having laid before it the report prepared by the Joint Administrative Receivers in accordance with the said section and, if thought fit, appointing Committee. Creditors whose claims are wholly secured are not entitled to attend or vote at the Meeting. Creditors who are partly secured may only vote in respect of the balance of the amount due to them after deducting the value of the security, as estimated by them. A creditor in respect of a debt due on, or secured by, a bill of exchange or promissory note must treat the liability of any person who is liable on the bill antecedently to the company as security held by him (unless that other person is subject to a Bankruptcy Order or in Liquidation).

Creditors wishing to vote at the above meeting must lodge a written statement of their claims at the offices of Cork Gully, Archbold House, Archbold Terrace, Newcastle upon Tyne NE2 1DO no later than noon on 7 June 1990. A form of proxy if intended to be used, must also be lodged with us by that time.

Dated this twenty third day of May 1990

D M Middleton
Joint Administrative Receiver

PURSUANT TO SECTION 46(1)(A) OF THE INSOLVENCY ACT 1986

Sermanco Group Limited & Cox & Company (Crowthorne) Limited
I, Nigel J Vooght & J M Iredale of Cork Gully, 9 Greyfriars Road, Reading, RG1 1JG hereby give notice that on the 22nd day of May 1990 we were appointed Joint Administrative Receivers of above named company by National Westminster Bank Plc under the terms of a debenture dated 12 June 1985 giving the holders a fixed and floating charge over the whole of the assets of the company.

N J Vooght
Joint Administrative Receiver

PERSONAL

RENTALS

ART GALLERIES

WORLD STOCK MARKETS

AUSTRIA

[illegible]

BELGIUM/LUXEMBOURG

[illegible]

DENMARK

[illegible]

FINLAND

[illegible]

FRANCE

[illegible]

FRANCE (continued)

[illegible]

GERMANY

[illegible]

GERMANY (continued)

[illegible]

ITALY

[illegible]

ITALY (continued)

[illegible]

NETHERLANDS

[illegible]

NORWAY

[illegible]

SPAIN

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

AUSTRALIA

[illegible]

AUSTRALIA (continued)

[illegible]

HONG KONG

[illegible]

MALAYSIA

[illegible]

SINGAPORE

[illegible]

NOTES – Prices on this page are as quoted on the individual exchanges and are last traded prices. [illegible]

CANADA

TORONTO

Closing prices June 1

[illegible]

MONTREAL

Closing prices June 1

[illegible]

Total Sales 5,685,876 shares.

INDICES

NEW YORK

DOW JONES	June 1	May 31	May 30	May 29	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	2900.97	2876.66	2878.56	2870.49	2900.97 (1/6)	2543.24 (30/1)	2878.56 (30/5/90)	41.22 (2/7/32)
Home Bonds	90.61	90.26	90.16	90.08	93.04 (3/1)	88.48 (2/5)	—	—
Transport	1190.15	1171.53	1163.76	1162.52	1201.10 (2/1)	1031.83 (30/1)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	211.71	211.39	212.15	213.97	236.23 (2/1)	203.09 (30/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 2919.90 (2900.62) Low 2868.69 (2854.84)

STANDARD AND POOR'S	June 1	May 31	May 30	May 29	1990 HIGH	1990 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	363.16	361.23	360.86	360.65	363.16 (1/6)	322.98 (30/1)	363.16 (1/6/90)	4.40 (1/6/32)
Industrials	424.05	422.14	421.72	421.31	424.05 (1/6)	371.92 (30/1)	424.05 (1/6/90)	3.62 (21/6/32)
Financial	30.39	29.94	29.82	29.77	31.87 (3/1)	26.59 (27/4)	35.24 (9/10/89)	8.64 (1/10/74)
NYSE Composite	198.03	196.94	196.75	196.57	198.03 (1/6)	178.43 (30/1)	199.34 (9/10/89)	4.46 (25/4/42)
Amex Mkt. Value	363.83	363.06	362.91	362.56	382.45 (5/1)	342.64 (24/4)	397.03 (10/10/89)	29.31 (9/12/72)
NASDAQ Composite	462.12	458.97	458.77	457.51	462.12 (1/6)	410.72 (30/1)	485.73 (9/10/89)	54.87 (31/10/72)

	May 25	May 18	May 11	year ago (approx.)
Dow Industrial Div. Yield	4.01	3.99	3.93	3.38
	May 30	May 23	May 16	year ago (approx.)
S & P Industrial div. yield	2.93	2.94	2.98	3.18
S & P Indl. P/E ratio	16.89	16.08	15.49	12.79

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
LA Gear	6,611,300	30¼	- 8½
Varity Corp	5,007,500	3⅛	+ ⅛
Philip Morris	2,503,300	43¾	+ 1⅛
West Elec	2,272,400	37¼	+ ⅞
Upjohn	2,214,800	40⅛	+ 1½
Citicorp	1,921,400	24	+ 1¼
Ford Motor	1,842,700	46⅞	+ ⅞
Fannie Mae	1,707,800	41¼	+ 2
First Interstate	1,701,400	40	+ ⅛
IBM	1,542,000	119½	-½

TRADING ACTIVITY

† Volume Millions	June 1	May 31	May 30
New York	187.860	165.690	199.540
Amex	13.732	14.707	15.202
NASDAQ	(u)	157.258	169.353
Issues Traded	2,020	2,005	2,011
Rises	978	783	802
Falls	573	675	701
Unchanged	469	547	508
New Highs	72	66	90
New Lows	17	21	26

CANADA

TORONTO	June 1	May 31	May 30	May 29	1990 HIGH	1990 LOW
Metals & Minerals	3239.10	3237.20	3192.00	3125.30	3453.05 (4/1)	2850.80 (23/4)
Composite	3593.00	3581.99	3565.60	3524.20	4009.47 (3/1)	3334.20 (1/5)
MONTREAL Portfolio	1859.94	1852.09	1844.24	1817.56	2060.90 (3/1)	1720.25 (27/4)

Base values of all indices are 100 except NYSE All Common—50; Standard and Poor's—10; and Toronto Composite and Metals—1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds.‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	June 1	May 31	May 30	May 29	1990 HIGH	1990 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1513.8	1512.0	1499.5	1495.0	1713.7 (12/1)	1434.5 (30/4)
All Mining (1/1/80)	748.5	746.2	741.2	740.1	860.8 (5/1)	715.3 (1/5)
AUSTRIA						
Credit Aktien (30/12/84)	562.17	579.66	583.59	582.97	703.29 (19/3)	526.59 (2/1)
BELGIUM						
Brussels SE (Cash Mkt) (1/1/80)	6304.75	6281.66	6248.90	6209.49	6599.43 (12/1)	5568.16 (26/3)
DENMARK						
Copenhagen SE (3/1/83)	(u)	377.37	375.29	374.89	380.47 (28/3)	352.96 (25/4)
FINLAND						
Unitas General (1975)	577.2	579.7	578.3	573.7	677.3 (23/1)	562.2 (11/5)
FRANCE						
CAC General (31/12/82)	560.00	562.15	564.62	560.07	564.62 (30/5)	482.94 (26/2)
CAC 40 (31/12/87)	2087.60	2107.51	2120.80	2123.09	2129.32 (20/4)	1800.32 (26/2)
GERMANY						
FAZ Aktien (31/12/58)	782.21	778.43	781.17	783.99	830.92 (3/4)	732.71 (24/1)
Commerzbank (1/12/53)	2265.0	2254.3	2262.6	2271.9	2414.0 (3/4)	2151.5 (24/1)
DAX (30/12/87)	1856.95	1844.81	1840.54	1842.74	1968.55 (30/3)	1756.41 (24/1)
HONG KONG						
Hang Seng Bank (31/7/64)	3159.17	3132.32	3083.35	3048.55	3159.17 (1/6)	2738.24 (1/2)
IRELAND						
ISEQ Overall (4/1/88)	1710.25	1704.73	1682.85	1657.73	1893.10 (22/1)	1582.61 (2/5)
ITALY						
Banca Com. Ital. (1972)	748.99	746.73	746.16	739.18	748.99 (1/6)	646.73 (26/2)
JAPAN						
Nikkei (16/5/49)	32891.12	33130.80	32926.26	32817.67	38712.88 (4/1)	28002.07 (2/4)
Tokyo SE (Topix) (4/1/68)	2426.55	2435.74	2417.09	2411.66	2867.70 (4/1)	2058.82 (5/4)
2nd Section (4/1/68)	3974.62	3938.28	3902.32	3886.37	4284.68 (9/2)	3313.92 (5/4)
MALAYSIA						
KLSE Composite (4/4/86)	586.54	583.87	582.26	581.80	622.20 (20/2)	518.53 (2/5)
NETHERLANDS						
CBS TU.Rtn.Gen.(End 1983)	268.7	267.7	267.4	265.7	269.0 (3/1)	240.1 (26/2)
CBS All Shr (End 1983)	200.3	199.6	199.4	198.2	206.3 (3/1)	184.2 (26/2)
NORWAY						
Oslo SE (Ind) (2/1/83)	858.57	858.73	856.85	849.03	858.73 (31/5)	701.67 (2/1)
PHILIPPINES						
Manila Comp (2/1/85)	817.30	817.86	798.15	860.72	1160.70 (21/3)	798.15 (30/5)
SINGAPORE						
SES All-Singapore (2/4/75)	434.69	435.24	435.52	435.86	443.34 (6/2)	401.34 (30/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1611.04	(c)	1638.0	1669.0	2230.0 (16/1)	1611.0 (1/6)
JSE Industrial (28/9/78)	2961.04	(c)	2946.0	2930.0	3211.0 (6/2)	2794.0 (23/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	803.64	797.95	789.89	783.87	928.82 (4/1)	688.66 (30/4)
SPAIN						
Madrid SE (30/12/85)	283.96	284.85	283.76	281.41	302.85 (4/1)	248.17 (2/4)
SWEDEN						
Affarsvärlden Gen. (1/2/37)	1269.50	1265.70	1266.50	1262.90	1317.88 (12/1)	1127.20 (2/4)
SWITZERLAND						
Swiss Bank Ind (31/12/58)	822.1	811.5	814.6	805.3	822.1 (1/6)	737.6 (27/3)
TAIWAN**						
Weighted Price (30/6/66)	7664.48	7290.88	6857.00	6703.06	12495.34 (10/2)	6146.44 (25/5)
THAILAND						
Bangkok SET (30/4/75)	1012.79	1000.71	987.31	975.50	1012.79 (1/6)	760.39 (7/2)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	525.1	526.4	524.3	571.0 (4/1)	468.3 (2/4)

**Saturday May 26: Taiwan Weighted Price: 6303.75. Korea Comp Ex. 783.74

a Subject to official recalculation.

Apr6 Base values of all indices are 100 except: Brussels SE, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Friday June 1 1990

	Stocks Traded	Closing Prices	Change on day
Sumitomo M M	16.8m	1,670	+40
Tokyu Corp	15.2m	2,020	+50
Tobishima Corp	15.0m	1,820	+30
Mitsubishi Cmnt	14.8m	872	+11
Mitsui Eng&Shp	14.3m	1,020	-20
Isuzu Motors	12.2m	1,110	+70
Kurabo Inds	12.2m	1,040	+40
Japan Mt Chem	12.1m	1,750	0
Settu	12.0m	2,152	+7.1
NKK	10.5m	696	0

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any telephone ring direct-0836 4 + five digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

Brown Shipley & Co Ltd—Contd.

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
North American	6	64.34	64.34	68.52	0.38	40199
Orient ‡	6	122.1	123.2xd	131.6	–	40200
Recovery	6	45.31	45.31xd	48.26	3.80	40201
Smaller Cos Acc	6	239.3	239.3	256.1	–	40202
Smaller Cos Inc	6	146.6	146.6	156.9	1.28	40203

Brycourt Unit Tst Mgmt Ltd (1400)F
Hesketh Hse, Portman Sq, W1H 0JR 071-935 6382

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Income Growth	1	185.8	185.8	192.6	5.82	40204

Buckmaster Mangmt Co Ltd (1200)H
15 St Botolph Street, London EC3A 7JJ 071-247 4542

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Emerging Gwth	5¼	59.04	59.04	62.58	3.20	40205
(Accum Units)	5¼	61.14	61.14	64.81	3.20	46360
Fellowship Tst	5¼	63.23	63.99	68.08	2.54	40206
(Accum Units)	5¼	66.11	66.90	71.18	2.54	40207
General Inc	5¼	290.9	290.9	308.4	3.73	40208
(Accum Units)	5¼	506.5	506.5	536.9	3.73	40209
Income	5¼	155.1	157.8	167.4	4.48	40210
(Accum Units)	5¼	314.9	320.2	339.7	4.48	40211
International	5¼	105.6	105.6	111.9	1.00	40212
(Accum Units)	5¼	145.9	145.9	154.7	1.00	40213
Smaller Co's	5¼	97.03	98.79	105.1	2.52	40214
(Accum Units)	5¼	107.6	109.6	116.6	2.52	40215
Inv Portfolio	3	54.92	54.92	56.84	2.98	46139
(Accum Units)	3	57.58	57.58	59.60	2.98	46858
High Income Port	3	45.58	46.54	48.23	4.80	46857

Burrage Unit Tst Mangmt Ltd (0905)F
117 Fenchurch St, London EC3M 5AL 071-480 7216

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Short Dated Gilt	1¼	56.19	56.19	57.04	6.96	40216

CCF Foster Braithwaite UT Mngt (1100)F
1 White Hart Yard, London SE1 1NX 071-407 5966

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
CCF Sel High Inc Eqty	5½	46.83	47.71	50.76	5.5	40096

EFM Unit Tst Mngrs Ltd (1400)H
4 Melville Crescent, Edinburgh 0345-090 526

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American ♥	5	79.91	79.91	84.40	1.18	40357
Capital	5	122.2	122.2xd	129.8	1.54	40358
Convertibles	5¼	21.96	21.96xd	23.33	8.79	40359
EuroFund	5	38.22	38.22	40.50	0.74	40360
Growth & Inc	5	209.6	209.6	222.7	4.71	40361
High Dist	5	155.8	155.8xd	165.5	6.50	40362
International	5	278.4	278.4	296.6	1.35	40363
Resources	5	23.81	23.81	25.28	1.58	40364
Pacific	5¼	45.30	45.30	48.15	0.31	40365
Smllr Jap Cos	5	68.29	68.29	72.38	–	40366
Tokyo	5	203.3	203.3	215.4	–	40367

Eagle Star Unit Mngrs Ltd (1000)H
Bath Road, Cheltenham GL53 7LQ 0242 221311

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
UK Balanced Inc	6	93.65	95.41	102.5	2.97	40373
UK Balanced Acc	6	102.8	104.7	111.4	2.71	40374
UK Growth Acc	6	145.3	148.5xd	158	2.35	40375
UK High Inc Inc	6	105.6	107.8xd	114.7	5.82	40376
Nth America Acc	6	80.22	81.94	87.17	1.34	40377
Far Eastern Acc F	6	129.1	129.1	137.3	0.04	40378
European Acc	6	132	135.4	144	0.49	40379
UK Pref & F I Inc	6	48.19	48.19	51.11	8.96	40380
UK Pref & F I Acc	6	65.15	65.15	69.11	8.96	40381
Intl Spec Sits Acc F	6	46.72	46.72	49.70	1.78	40382
Environmental Opps	6	51.71	52.79xd	56.16	1.56	46880

Elcon Ltd (1000)F
Central Ct, Knoll Rise, Orpington, BR6 0JA 0689 70538

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Elcon Trust	5	[illegible]	160.2	171.8	–	46361

Endurance Fund Management Ltd (0905)F
41 Harrington Gardens, London SW7 4JU 071-373 7261

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Endurance Fd	5	145.5	147.2	154.5	2.30	40472

Equitable Unit Trust Managers Ltd (1600)F

Principal Unit Trust Mngmt Ltd (1600)F
16 South Park, Sevenoaks, Kent TN13 1AN 0732 740700

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
Principal Tst	5¼	96.49	97.83	104.08	3.50	47809

Prolific Unit Tst Mngrs Ltd (1600)F
222 Bishopsgate, London EC2 071-247 7544/7

Unit Name	Init Charge	Canc. Price	Bid Price	Offer Price	Yield Gr's	City-line
American Income	5	63.58	63.58	67.63	3.97	41141
Conv & Gilt	5	109.4	109.4xd	116.3	8.03	41142
Euro Gwth & Inc	5	63.60	63.60	67.80	1.09	41143
Extra Income	5	132.9	135.0	143.7	5.03	41144
Far East	5	275.8	276.9	295.3	0.01	41145

GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows. ♥ - 0001 to 1100 hours, ‡ - 1101 to 1400 hours, ♦ - 1401 to 1700 hours, ♠ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday

SCHEME PARTICULARS AND REPORTS
The most recent report and scheme particulars can be obtained free of charge from fund managers. Other explanatory notes contained in last column of the FT Unit Trust Information pages.

FT MANAGED FUNDS SERVICE

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Touche Remnant Unit Tst Mngt Ltd (1600)F

Trades Union Unit Tst Mngrs (1200)H

Triton Fd Mngrs. Ltd. (1000)H

Tyndall Unit Tst Mngrs Ltd (1600)F

UK Unit Trust Managers Ltd (0905)F

UTAM Ltd (1300)F

Unicorn Charities Unit Trusts (1000)H

Wardley Unit Tst Mngrs Ltd (1300)H

Waverley Unit Tst Mngmt Ltd (1000)F

Wessex Asset Management (1330)F

Whittingdale Unit Tst Mgmt Ltd

Willbro Financial Services Ltd (0905)F

Windsor Trust Mngrs Ltd (1000)F

Wright Seligman Fund Mngrs Ltd (1700)F

The Yorkshire Unit Tst Mngrs Ltd (1100)F

OTHER UK UNIT TRUSTS

Baillie Gifford & Co Ltd

Cent. Bd. of Fin. of Church of England

Charities/Charishare

CAFINVEST—Charities Aid Foundation

COIF—Charities Official Inv Fdt

Edinburgh Fund Mngrs PLC

Fidelity Investment Services Ltd

Robert Fleming Asset Mngmt Ltd

Foreign & Colonial Pens Mngt Ltd

Henderson Unit Trust Management Ltd

Lazard Brothers & Co. Ltd

Lazard Investors Ltd

Local Authorities Mutual Invest. Tst

M & G Securities Ltd

MEM Ltd

Morgan Grenfell Unit Trust Managers Ltd

Murray Johnstone UT Mngmt

Phillips & Drew Fund Management Ltd

NM Rothschild Asset Management Ltd

J. Rothschild Fund Managers Ltd

Stewart Ivory & Co Ltd

Thornton Unit Managers Ltd

Touche Remnant Unit Tst Mngt Ltd

INSURANCES

AA Friendly Society

Abbey Life Assurance Co Ltd

Abbey Life Assurance Co Ltd—Contd.

Acuma Life Assurance Ltd

AEtna Life Insurance Co Ltd

Albany Life Assurance Co Ltd

Allied Dunbar Assurance Plc

Ambassador Life Assce. Co Ltd

American Life Insurance Co UK

Avon Insurance Plc

Barclays Life Assur. Co Ltd

Black Horse Life Ass. Co Ltd

Britannia Life Ltd

CCL Assurance Ltd

Canada Life Group

Cannon Assurance Ltd

City of Edinburgh Life Assurance

City of Westminster Assurance Co Ltd

Clerical Medical/Fidelity International

Clerical Medical Investments Group

Clerical Medical Managed Funds Ltd

Colonial Mutual Group

Colonial Mutual Group—Contd.

Combined Insurance Co of America

Commercial Union Group

Cornhill Insurance PLC

Criterion Assurance Group

Crown Financial Management Ltd

Crusader Insurance Plc

Eagle Star Insurance Co Ltd

Eagle Star Insur/Midland Assur.

Economic Insurance Company Ltd

Equitable Life Assurance Society

Equity & Law

Family Assurance Society

Friends Provident

GT Unit Managers Ltd

General Accident Linked Life Assce

General Portfolio Life Insce Plc

Gresham Unit Assurance Ltd

The LAS Group

Lancashire & Yorkshire Assce Society

Guardian Royal Exchange

Hearts of Oak Insurance Group

Henderson Administration

Hill Samuel Life Assur. Ltd

Hill Samuel Life Assur. Ltd—Contd.

Homeowners Friendly Society

Imperial Life Assurance Co Ltd

Irish Life Assurance Co Plc

Assicurazioni GENERALI SpA

Growth & Sec. Life Assce. Soc. Ltd

Laurentian Life plc

Legal & General (Unit Assur) Ltd

Legal & General (Unit Pension) Ltd

Liberty Life Assurance Co Ltd

London Indemnity & Gnl. Ins. Co Ltd

London Life

London & Manchester Group

M & G Life and M & G Pensions

Maxi Equity Fund

MGM Assurance

MLA

Manchester Unity Assurance

ManuLife Group PLC

Merchant Investors Assurance Co Ltd

Merchant Investors Assurance Co Ltd—Contd.

Mercury Life Assurance Co Ltd

Midland Life Limited

NEL Britannia Assce Co Ltd

NEL Pensions Ltd

NM Life Assurance Ltd

N & P Life Assurance Ltd

National Financial Management Corp

National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Continued on next page

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Fairmount Glen Reljs Ltd

Castle Hse, London Rd, Tunbridge Wells 0892 515051

Gartmore Fund Managers Ltd

Hinton Hill (L. & P.) Ltd

1 The Crescent, Leatherhead, KT22 8DH 0372 377811

Hambros Fd Mgrs (CI) Ltd

PO Box 86, Guernsey 0481 715454

OFFSHORE AND OVERSEAS

CANADA (SIB RECOGNISED)

MANAGEMENT SERVICES

GUERNSEY (SIB RECOGNISED)

OFFSHORE INSURANCES

GUERNSEY (REGULATED)

FT MANAGED FUNDS SERVICE

● For Current Unit Trust Prices on any charges ... (listed below). Calls charged at ...

NM Financial Mgmt Intl Ltd-Contd.

The New Zealand Fund

Nikko Capital Mgmt (Europe) Ltd

Prudential Intl Financial Services Ltd

Sarasin International (Guernsey) Ltd

Standhope Fund Mgrs Ltd

Strongfield Asset Mgmnt (Guernsey) Ltd

The Thai-Euro Fund Ltd

Tyndall International (Guernsey) Ltd

U.S. Treasury Securities Fund Ltd

Wellington Fd Mgrs (Guernsey) Ltd

Yamaichi Capital Mgmnt (Guernsey) Ltd

IRELAND (SIB RECOGNISED)

AIG Fund Management Intl Ltd "MI Trusts"

ISLE OF MAN (SIB RECOGNISED)

Allied Dunbar Intl Fund Mgrs (1400)H

Asset Global Funds Ltd

CMI Fund Managers (IoM)

Equity & Law Intl Fund Mngrs Ltd

Gartmore Fund Managers (IoM)

Refuge Overseas (1200)

Sun Life Management (IoM) Ltd

ISLE OF MAN (REGULATED)(**)

CAL Investments (IoM) Ltd

Duncan Lawrie Inv. Mgt. Ltd

Equity & Law International Fund Mgrs Ltd

Gartmore Fund Managers (IoM)

John Govett Management (IoM) Ltd

Hellenic Scandinavian Fund Ltd

IBI Global Funds Limited

Manx Fund Managers Intl Ltd

Refuge Overseas

Sarasin (Isle of Man) Ltd

Target International (Isle of Man) Ltd

Tyndall International (Isle of Man) Ltd

JERSEY (SIB RECOGNISED)

Barclays International Funds

Capital House Fund Mgrs (CI) Ltd

Gartmore Fund Managers International Ltd

John Govett (Channel Islands) Ltd

Hill Samuel Fund Mgrs (Jsy) Ltd

Lloyds Bank (CI) U/T Mgrs.

Midland Bank Fund Managers (Jersey) Ltd

MIM Britannia International (Jersey) Ltd

Royal Trust Jsy Fd Mngt Ltd

TSB Trust Funds (CI)

JERSEY (REGULATED)(**)

Allied Irish Fund Managers (CI) Ltd

Barclays Intl Funds

Brown Shipley Fund Mgmt (CI) Ltd

CIBank (CI) Ltd "Citifunds"

EBC Trust Company (Jersey) Ltd

Equitilink International Mngt Ltd

Fidelity International (CI) Ltd

Fleming Group

John Govett Management (Jersey) Ltd

Hill Samuel Investment Services Intl

MIM Britannia International Limited

Minerals, Oils Res. Shrs. Fd. Inc.

Morgan Grenfell Funds Mgmt (Jersey) Ltd

Murray Johnstone (Jersey) Ltd

Nat. Westminster Jersey Fd. Mgrs. Ltd

Northgate Unit Trt. Mngr. (Jersey) Ltd

The Portugal Fund Limited

Prudential Intl Financial Services Ltd

Royal Trust Intl Fd Mngt Ltd

Save & Prosper International

Schroder Mngt Services (Jersey) Ltd

Scimitar Worldwide Money Fund Ltd

Scimitar Worldwide Selection Fd Ltd

Scrimgeour Kemp-Gee Mngmt. Jersey

TSB Trust Funds (CI)

Target Internat. Management (Jersey) Ltd

Tyndall International (Jersey) Ltd

Warburg Asset Management Jersey Ltd

Wardley Fund Managers (Jersey) Ltd

LUXEMBOURG (SIB RECOGNISED)

Abbey Global Investment Fund

AEtna Federated Intl Mgrs (Lux) SA

Barclays Intl Funds (Luxembourg)

Commercial Union Luxembourg SA

Dresdnerbank Asset Mngmt SA

Fleming Group

Gartmore Luxembourg SA

Ivory & Sime (Luxembourg) SA

JC Global Fund-SICAV

Midland International Circuit Fund SICAV

MIM Britannia International Ltd

Morgan Grenfell UT Mgrs/Deutsche Bank

Nomura Global Fund

Royal Trust Asset Mgmt Fund

Saegasale Group (Luxembourg)

Schroder International Selection Fund

Sun Life Global Management Ltd

Royal Trust Intl Fd Mngt Ltd

LUXEMBOURG (REGULATED)(**)

Asian Development Equity Fund

Fidelity International Service (Lux) SA

Fidelity Investment Services (Lux) S.A.

Fleming Group

Gartmore Luxembourg SA

Merrill Lynch Asset Management

Merrill Lynch Asset Management-Contd.

Morgan Stanley Sicav

NM Income & Gwth Fd

Nikko Luxembourg S.A.

Nomura Asia Europe Fund

Nomura Growth Fund SA

Nomura Prudential Global Portfolio

Pierson Heldring & Pierson

Rosenberg US Japan Mngmt Co SA

Strategic International Gold Fund S.A.

Target International Fountain Fund

Templeton Worldwide Investments

Transworld Bond Trust

Unibank SA, Fredtman

US Pacific Stock Fund

Viking Fund-SICAV

World Bond Fund SICAV

SWITZERLAND (SIB RECOGNISED)

B.I.A. Bond Investments AG

OTHER OFFSHORE FUNDS

ATSP Management Ltd

Alliance Capital

Bank of Ireland Unit Managers Ltd

Baring International Group

Bermuda Intl Investment Mngmt Ltd

Capital International

Citizens Investment Trust Mgt Co Ltd

Credit Lyonnais Rouse (Bermuda) Ltd

Daiwa Japanese Equity Warrant Fund

Dresdner Investment-Trust

Drexel Burnham Lambert

Emerging Markets Management

FFM / Swiss Financial Services

Fidelity Distributors Intl Ltd

Frankfurt Trust Investment-GmbH

Free World Fund

GT Management Plc

Gartmore Investment Ltd

Goldman Sachs

Granville Management Limited

Group One Limited

Hill Samuel Investment Services Intl

Korea Investment Trust Co Ltd

Lloyds Bank Geneva Switzerland

M & G (Cayman) Ltd

Magnum Fund Mngmt

Malacca Fund (Cayman) Limited

Malaysia Capital Fund Ltd

Malaysia Growth Fund

Malaysia Select Fund Ltd

Malaysia Smaller Co's Fd

Man International Futures

McDonnell & Co

Morgan Stanley Japanese Warrant Fund

Murray, Johnstone

NCS Europe and Income Fund

National Mutual Intnl Co

Newport International Management

North Star Fund Managers (Cayman) Ltd

Optima Fund Ltd

Orbis Investment Management Ltd

Orbitex Bahamas Ltd

Pacific Select Fund

Paribas

PAN Futures Trading (Cayman) Ltd

Putnam International Advisers Ltd

Quantum Fund NV

Regent Fund Management Ltd

Royal Trust North American Bond Fd

Sabre Fund Mngt Ltd

Schroder Investment Management Ltd

Scimitar Worldwide Selection Fd Ltd

Sterling Offshore Fund Admin. Ltd

Stratagem Investment Mgmt (Bermuda) Ltd

Templeton Galbraith & Hansberger Ltd

The Thai Prime Fund Limited

The Thailand Fund

The Thailand Growth Fund

The Thailand Intl Fund Ltd

Three-Way Asset Allocation Funds

Tudor BVI Futures Ltd

Tyndall International (Bermuda) Ltd

Money Market Trust Funds

Money Market Bank Accounts

MANAGED FUND NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

MONEY MARKETS

Yen may be set to advance

Cross trading between the Japanese yen and the D-Mark has caught the attention in an otherwise rather dull period on the foreign exchanges. Dealers are looking for one of the major currencies to break out of the present narrow trading ranges and at the moment the yen is the favourite candidate to move higher. Currency movements have become increasingly based on political events, as economic news has failed to move the markets.

Friday's disappointing US employment data reinforced the view that the US economy is sluggish, but the dollar is likely to be supported by its "safe haven status", as concern increases about internal stability in the Soviet Union, the potential problems of a united Germany, and mounting tension between India and Pakistan.

Sterling looks vulnerable to any further economic setbacks, as euphoria about possible full British membership of the European Monetary System has faded.

This leaves the yen, which has recovered, as other currencies such as the D-Mark and dollar have lost favour. Mr Angus Armstrong at Morgan Grenfell believes the Bank of Japan's commitment to tighter monetary control will lead to a stronger yen. Ms Mary Beth Slack, senior technical analyst at Thompson Financial Networks, agrees the yen will improve. She looks for the D-Mark to fall quickly to around Y88.00 from the present level of Y89.85, and possibly to Y86.75 in the near future. Ms Slack also suggests the yen will advance against the dollar, with the US currency falling to Y144.00, unless it establishes a trading range above Y152.00.

clearing bank base lending rate 15 per cent from October 5

£ IN NEW YORK

June 1	Close	Previous Close
Spot	1.6805-1.6815	1.6955-1.6965
1 month	0.94-0.93pm	0.97-0.96pm
3 months	2.80-2.77pm	2.79-2.76pm
12 months	9.40-9.33pm	9.25-9.18pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 1	Previous
8.30 am	89.0	88.9
9.00 am	89.1	89.0
10.00 am	89.1	89.1
11.00 am	89.2	89.2
Noon	89.1	89.1
1.00 pm	89.1	89.1
2.00 pm	89.1	89.0
3.00 pm	89.2	89.0
4.00 pm	89.1	89.0

CURRENCY MOVEMENTS

June 1	Bank of England Index	Morgan** Guaranty Changes %
Sterling	89.1	-22.5
U.S. Dollar	67.5	-10.2
Canadian Dollar	103.8	+0.8
Austrian Schilling	109.3	+11.4
Belgian Franc	111.1	-2.4
Danish Krone	110.0	+4.4
Deutsche Mark	118.0	+23.8
Swiss Franc	113.9	+23.0
Guilder	114.2	+15.8
French Franc	103.8	-12.7
Lira	100.7	-18.6
Yen	123.1	+51.1

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100) **Rates are for May 31.

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.6845	1.6752	1.6562	1.6313	1.5912

IMM-STERLING $s per £

	Close	High	Low	Prev.
Jun	1.6762	1.6882	1.6738	1.6724
Sep	1.6490	1.6620	1.6450	1.6458
Dec	1.6240	1.6350	1.6240	1.6214

CURRENCY RATES

June 1	Bank rate %	Special* Drawing Rights	European † Currency Unit
Sterling	-	0.780024	0.721360
US Dollar	7	1.31200	1.21225
Canadian $	13.32	1.54042	1.42184
Austrian Sch	6½	15.6167	14.4427
Belgian Franc	10½	45.6871	42.2801

OTHER CURRENCIES

June 1	£	$
Argentina	8500.65-8536.85	5050.00-5070.00
Australia	2.1870-2.1890	1.2985-1.2995
Brazil	92.2550-93.3215	54.8000-55.4000
Finland	6.6370-6.6580	3.9480-3.9520
Greece	276.75-281.25	164.85-167.55
Hong Kong	13.1010-13.1140	7.7830-7.7850

POUND SPOT- FORWARD AGAINST THE POUND

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.6760-1.6925	1.6840-1.6850	0.94-0.92cpm	6.63	2.80-2.77pm	6.61
Canada	1.9670-1.9820	1.9700-1.9710	0.25-0.17cpm	1.28	0.72-0.60pm	1.34
Netherlands	3.19½-3.21¼	3.20¼-3.21¼	1¾-1½cpm	6.54	5¼-5¼pm	6.61
Belgium	58.35-58.85	58.50-58.60	31-20cpm	5.23	86-67pm	5.23
Denmark	10.82¼-10.89½	10.84-10.85	4¼-3¾orepm	4.77	12¼-11¼pm	4.29
Ireland	1.0565-1.0675	1.0615-1.0625	0.45-0.40ppm	4.80	1.20-1.10pm	4.33
W. Germany	2.84-2.85½	2.85-2.85½	1¼-1½pfpm	6.84	4¾-4½pm	6.66
Portugal	249.50-251.40	250.40-251.40	5-14cdis	-0.45	58-85dis	-1.14
Spain	175.95-176.75	175.95-176.25	13-6cpm	0.65	37-26pm	0.72
Italy	2089¾-2102¼	2099¾-2100¾	6-4lirepm	2.86	18-16pm	3.24
Norway	10.89-10.95½	10.89-10.90	3¾-3orepm	3.79	10½-9¼pm	3.60
France	9.58-9.63¼	9.62¼-9.63¼	4-3¼cpm	4.83	11¾-11½pm	4.86
Sweden	10.26¾-10.31¼	10.30¼-10.31¼	2½-2orepm	2.62	6¾-5¾pm	2.30
Japan	254¼-256¼	254¾-255¼	1¼-1½ypm	7.65	5-4½pm	7.36
Austria	19.98-20.09	20.05-20.08	11½-10¼gropm	6.65	32½-29¾pm	6.18
Switzerland	2.39¼-2.42¼	2.41¼-2.42¼	1¼-1½cpm	5.89	3¾-3½pm	6.00
ECU	1.3835-1.3860	1.3850-1.3860	0.55-0.52cpm	4.63	1.63-1.58pm	4.63

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.35-5.30cpm 12 month 9.38-9.28cp

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

June 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.6760-1.6925	1.6840-1.6850	0.94-0.92cpm	6.63	2.80-2.77pm	6.61
Ireland†	1.5785-1.5920	1.5815-1.5825	0.33-0.28cpm	2.30	1.02-0.92pm	2.44
Canada	1.1710-1.1745	1.1720-1.1730	0.51-0.54cdis	-5.37	1.55-1.60dis	-5.37
Netherlands	1.8920-1.9135	1.9060-1.9070	0.02cdis-par	-0.06	0.03-0.01pm	0.04
Belgium	34.60-34.95	34.70-34.80	1.00-7.00cdis	-1.39	7.00-17.00dis	1.39
Denmark	6.43¾-6.47½	6.43¾-6.44	1.10-1.40oredis	-2.33	3.20-3.90dis	-2.21
W. Germany	1.6800-1.6980	1.6925-1.6935	0.04-0.02pfpm	0.21	0.06-0.04pm	0.12
Portugal	148.15-148.95	148.85-148.95	77-87cdis	6.64	275-290dis	-7.62
Spain	104.20-105.40	104.75-104.85	51-55cdis	-6.09	152-160dis	-5.98
Italy	1237-1249½	1246½-1247	3.50-4.10liredis	-3.68	10.00-10.80dis	-3.35
Norway	6.46½-6.52	6.46½-6.47	1.35-1.70oredis	-2.83	4.60-5.20dis	-3.03
France	5.67½-5.73	5.71¼-5.71¾	0.77-0.82cdis	-1.68	2.40-2.50dis	-1.72
Sweden	6.08¼-6.13½	6.12-6.12½	1.90-2.15oredis	-3.99	6.45-6.80dis	-4.35
Japan	150.70-152.50	151.25-151.35	0.14-0.12ypm	1.03	0.40-0.37pm	1.02
Austria	11.89¼-11.93¼	11.91¼-11.91¾	0.15pm-0.25gdis	-0.05	0.25pm-0.85dis	-0.10
Switzerland	1.4200-1.4380	1.4350-1.4360	0.05-0.08cdis	-0.55	0.12-0.17dis	-0.41
ECU	1.2110-1.2220	1.2145-1.2155	0.55-0.52cpm	5.22	1.63-1.58pm	5.24

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EXCHANGE CROSS RATES

June 1	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.686	2.853	254.8	9.628	2.418	3.213	2100	1.971	58.55
$	0.593	1	1.693	151.2	5.714	1.435	1.907	1246	1.170	34.75
DM	0.351	0.591	1	89.31	3.375	0.848	1.126	736.1	0.691	20.52
YEN	3.925	6.613	11.20	1000.	37.79	9.490	12.61	8242	7.735	229.8
F Fr.	1.039	1.750	2.963	264.6	10.	2.511	3.337	2181	2.047	60.81
S Fr.	0.414	0.697	1.180	105.4	3.982	1	1.329	868.5	0.815	24.21
H Fl.	0.311	0.524	0.888	79.30	2.997	0.753	1	653.6	0.613	18.22
Lira	0.476	0.802	1.359	121.3	4.585	1.151	1.530	1000.	0.939	27.88
C $	0.507	0.855	1.447	129.3	4.885	1.227	1.630	1065	1	29.71
B Fr.	1.708	2.878	4.873	435.2	16.44	4.130	5.488	3587	3.366	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

EURO-CURRENCY INTEREST RATES

Jun 1	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	15⅛-15	15⅛-15	15⅛-15⅛	15⅛-15⅛	15⅛-15⅛	15⅛-15
US Dollar	8⅛-8¼	8¼-8¼	8¼-8¼	8⅜-8⅜	8⅜-8¼	8⅝-8½
Can. Dollar	13¾-13½	13¾-13½	13⅝-13¾	13⅝-13¾	13⅜-13⅛	13⅛-12⅞
D. Guilder	8-7¾	8-7¾	8⅛-8	8¼-8⅛	8½-8⅜	8⅔-8⅝
Sw. Franc	9-8¾	9-8¾	8¾-8⅝	8⅞-8⅝	8⅞-8⅝	8⅞-8⅞
Deutschmark	7⅞-7⅝	7⅞-7⅞	8-7⅞	8⅛-8⅛	8⅜-8⅛	8⅝-8⅝
Fr. Franc	9⅝-9⅝	9⅝-9⅝	9⅞-9¾	10-9⅞	10⅛-10	10⅜-10⅛
Italian Lira	13-11	12⅛-11¾	12-11½	11⅞-11⅝	11⅞-11½	12-11⅞

BANK OF ENGLAND TREASURY BILL TENDER

	June 1	May 25		June 1	May 25
Bills on offer	£500m	£500m	Top accepted rate of discount	14.4997%	14.4596%
Total of applications	£2552m	£3030m	Average rate of discount	14.4826%	14.4592%
Total allocated	£500m	£500m	Average yield	15.0251%	14.9999%
Minimum accepted bid	£96.385	£96.395	Amount on offer at next tender	£500m	£500m
Allotment at minimum level	15%	39%	Minimum accepted bid 182 days	£93.025	£93.060

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 1	change		June 1	change
LONDON			NEW YORK		
Base rates	15	Unch'd	Prime rates	10	Unch'd
7 day Interbank	14⅞	-⅛	Federal Funds	8¼	Unch'd
3-month Interbank	15	-1/16	3 Mth. Treasury Bills	7.91	-0.05
Treasury Bill Tender	14.4826	+0.0313	6 Mth. Treasury Bills	8.01	-0.13
Band 1 Bills	14⅞	Unch'd	3 Mth. CD	8.23	-
Band 2 Bills	14⅞	Unch'd	FRANKFURT		
Band 3 Bills	-	-	Lombard	8.00	Unch'd
Band 4 Bills	-	-	One mth. Interbank	7.925	-0.175
3 Mth. Treasury Bill	14½	-1/32	Three month	8.22	-0.03
1 Mth. Bank Bills	14⅞	-1/32	PARIS		
3 Mth. Bank Bills	14⅞	Unch'd	Intervention Rate	9¼	Unch'd
TOKYO			One mth. Interbank	9⅝	Unch'd
One month Bills	7⅛	+1/16	Three month	9¾	Unch'd
Three month Bills	7⅛	+1/16	MILAN		
BRUSSELS			One month	12⅛	-⅛
One month	9⅞	-⅛	Three month	12⅛	+1/16
Three month	9⅞	-⅛	DUBLIN		
AMSTERDAM			One month	10⅞	-⅜
One month	8.115	+0.135	Three month	11⅛	-1/16
Three month	8.265	+0.115			

LONDON RECENT ISSUES

EQUITIES

FIXED INTEREST STOCKS

RIGHTS OFFERS

a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. q Earnings based on preliminary figures. s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1990-91. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1990. N Dividend and yield based on prospectus or other official estimates for 1989/90. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ¶ Issued by tender. ‡ Offered to holders of ordinary shares as a "rights". † Introduction. § Placing price. †† Reintroduction. ‡ Unlisted securities market. * Third Market. B Units comprising 11 new ord. & 2 warrants. ♦ Issued in connection with reorganisation, merger or takeover.

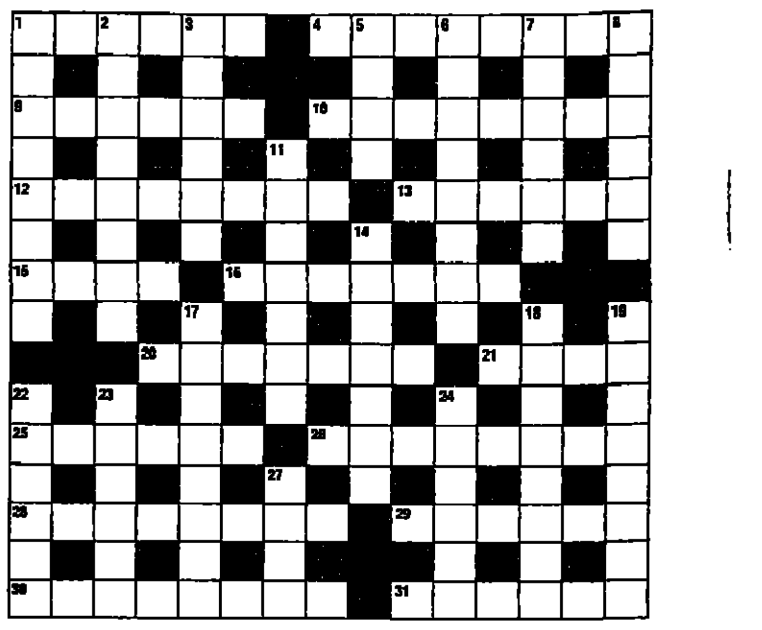
FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

CROSSWORD

No.7,254 Set by TANTALUS



ACROSS

1, 4 Sells one divine hybrid flower (4,2,8)
9 Read super novel to sweetheart (6)
10 Steep docking area by the edges of Tyne (8)
12 Dance with Ted may be immoral (8)
13 Insane chaps speak endlessly (6)
15 Carry set of books into empty theatre (4)
16 Extend term of imprisonment (7)
20 No college could be without the French perfume (7)
21 Messenger in Europa getting more tips (4)
25 Doctor got up looking gloomy (6)
26 Quiet one in hollow – he will testify (8)
28 The last place for an animal to be! (8)
29 Extol characters in Persia (6)
30 Sat with flute playing what is aesthetic (8)
31 Building extension in favourite surroundings to have small ball (6)

DOWN

1 Start of race – time to pelt with stones! (8)
2 Girl going to large town shows candour (8)
3 Where you'll be if given a 16! (6)
5 Thin branch brought up to cart (4)
6 Facts provided by 26 (8)
7 Oriental wagoner stops short to see game (6)
8 He's out meeting the Italian and an Aussie girl (6)
11 Outgrowth for English people (7)
14 Winding 24 (7)
17 Eton site developed to produce rose (8)
18 Important stuff (8)
19 Aware nurse and specialist accept it in return (8)
22 Make known trap on motorway is put up (6)
23 Examinations causing grief? (6)
24 Officer sure to change direction (6)
27 A fashionable university for Japanese people (4)

The solution to last Saturday's prize puzzle will be published with names of winners on Saturday June 16.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

BRITISH FUNDS—Contd

Index-Linked

INT. BANK AND O'SEAS

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

FOREIGN BONDS & RAILS

AMERICANS

AMERICANS—Contd

CANADIANS

Continued on next page

LONDON SHARE SERVICE

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS – Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS – Contd

ENGINEERING

ENGINEERING – Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
41.1	Verson Intl 10p	47	......	2.3	11.12	Jan Aug	1975
588.6	Vickers 50p	227	......	5.2	26.3	Nov May	4398
83.5	Victaulic	385	......	3.4	9.4	Oct Mar	4983
70.0	Vosper Thornycroft	227	0.9	5.0	11.12	Aug. Jan	4874
5.47	WB Industries 10p	15	–3.2	–	6'80	–	4450
104.1	Wagon Industr'l	316	0.6	5.9	15.1	Feb Oct	4418
177.0	Weir Group	295	2.4	3.6	9.4	Nov Jun	4453
7.62	Wellman 5p	32	–1.5	4.2	27.12	Jul Feb	4457
96.0	Westland 2½p	107	2.9	4.4	27.12	July Feb	4468
24.5	Whessoe	132xd	–1.1	5.1	29.5	Jan. July	4484
67.0	Wheway 25p	98	1.0	4.1	29.1	Apr Oct	4485
4.61	Wood (S.W.) 20p	59	–1.7	‡	31.7	Feb Oct	4533

FOOD, GROCERIES, ETC

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
1,277.5	ASDA Group	109	5.8	5.9	12.2	Apr Oct	1459
37.1	Acatos & Hutch's 50p	113	–1.7	8.3	27.12	April July	1513
3.15	Alpine Group 10p	16	6.7	–	6'86	–	1574
28.4	American Dist. 5p	73	1.4	5.5	14.5	July Nov	4912
11.0	Appleby W'ward 20p	200	1.8	5.3	29.5	Jan Jul	5096
15.9	Appletree Hldgs. 10p	90	......	6.2	15.1	Aug Mar	1628
2,278.4	Argyll Group	240	4.3	3.4	15.1	Feb Aug	1643
112.4	Ashley Grp. 5p	103	1.0	1.6	14.5	Jan June	1665
6.85	Do 8.25p(Net) Cv Pf	137	1.5	8.0	12.2	Mar Sept	4814
1,788.8	Ass. Brit. Foods 5p	480	1.5	3.7	15.1	Mar. Aug	1674
21.4	Ass. Fisheries	122	–1.6	6.6	9.4	May Nov	1678
38.9	Avonmore Foods A Ir5p	98	3.2	2.6	9.4	June Dec	–
4,715.1	BSN Fr 10	£90½	–5.8	1.2	5.1	Jan July	1018
10.2	Banks (Sidney C.)	150	......	6.2	26.2	Apr. Oct.	1747
29.7	Barr (A.G.)	470	......	3.7	15.1	Aug. Apr.	1765
8.74	Bensons Crisps 10p	116	......	2.6	26.3	Apr Oct.	1807
630.9	Berisford Intl 10p	129	1.6	6.4	27.12	Apr. Oct.	1809
5.57	Bio-Isolates 10p	28	......	–	–	–	1832
734.2	Booker	431	3.4	6.0	9.4	Jan July	1872
22.5	Borthwicks 10p	39	–1.3	3.4	27.12	Jly Feb	1880
122.6	Brake Bros 10p	266	1.5	2.1	29.5	Dec Jly	1936
5.21	Brewmaker 1p	8½	13.3	3.3	16.10	December	1946
61.0	Budgens 10p	70	20.7	9.4	29.5	Jan. July	1758
2,435.4	Cadbury Schweppes	351	5.1	4.1	12.3	May Nov	2030
10.1	Carr's Milling	149	......	6.7	27.12	Jan Jan	2075
10.3	Clifford Foods	460	......	2.9	9.4	May Nov.	2163
24.0	Do. "A" N–V	148	–2.6	9.0	9.4	May Nov	2164
4.83	Cranswick Mill 10p	71	......	10.4	11.12	Jan July	2270
9.41	Cullen's Hldgs 10p	36	......	–	–	–	2291
1,347.3	Dairy Farm Intl 25c	82	7.9	2.8	–	–	–
11.2	Dalepak Foods 5p	108	2.0	4.0	29.1	Apr Oct	2303
764.9	Dalgety £1	342	–1.4	6.4	26.3	Jan. July	2304
6.72	Daniels (S.) 5p	82	1.2	4.1	30.4	June	2310
3.77	England (J.) 5p	62	–6.1	–	4'83	–	2478

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.) – Contd

INDUSTRIALS (Miscel.) – Contd.

INSURANCES

LEISURE

MOTORS, AIRCRAFT TRADES

Commercial Vehicles

LONDON SHARE SERVICE

● For Latest Share Prices on any telephone ring direct-0836 43 + four digit code (listed below). Calls charged at 38p per minute peak and 25p off peak, inc VAT

...RS, AIRCRAFT TRADES — Contd

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

PROPERTY — Contd

SHOES AND LEATHER

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TEXTILES

TOBACCOS

TRANSPORT

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Investment Trusts

TRUSTS, FINANCE, LAND — Contd

TRUSTS, FINANCE, LAND — Contd

Finance, Land, etc

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OIL AND GAS — Contd

OVERSEAS TRADERS

PLANTATIONS

Rubbers, Palm Oil

Teas

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

Finance

Australians

Tins

MINES — Contd

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.27	Sungei Besi SM1	125		–	17.7	–	4140
1.34	Tanjong 15p	96		–	6'81	–	–

Miscellaneous

THIRD MARKET

Market Cap. £m	Stock	Price	Week % change	Y'ld Gr's	Last xd	Dividends Paid	City-line
4.38	Ramsden's (Harry) y	73	4.3	8.2	–	January	2011
6.36	Rextaminster 5p y	38		‡	–	Mar Oct	5228
0.84	Scott Pickford 10p y	12		4.2	17.7	August	5062
1.95	Sempernova y	14		–	–	–	1645
6.20	Sleepy Kids 5p y	31	3.3	–	–	–	5068
2.49	Swanyard Studios 1p y	1½		–	–	–	4666
7.06	Tomorrows Leisure 20p y	63		–	–	–	4248
1.57	UPL Group 10p y	39		‡	22.5	Dec. July	4362
9.69	Unit Group y	181	0.6	3.7	11.12	Jan Aug	4357
10.1	Video Magic Leis. 1p y	61	1.7	4.4	26.1	Jan July	5071
3.36	Vista Ents 5p y	3½	–6.7	–	–	–	3994
6.95	Vizcaya Hldgs 5p y	13		–	–	–	4193
38.2	Whitegate Leisure 20p y	24½	–2.0	1.4	12.2	April	1105
0.60	Do. Wrrnts y	9	–10.0	–	–	–	1116
16.8	Wilton Group 1p y	3¼		–	–	–	3628

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices are in pence and denominations are 25p. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Not officially listed.
- # Price at time of suspension
- ♠ Not comparable
- ♦ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date.
- ‖ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. c Cents. e Redemption yield. f Flat yield. k Kenya. C Canadian. E Minimum tender price.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Craig & Rose £1 y	830	......
Finlay Pkg. 5p y	53	–3.6
Holt (Jos) 25p y	1290	......

IRISH

Cap. 8½% Ln. 1991	£98¼	0.3
9pc Cap Ln. 1996	£94¼	0.7
Fin. 13% 97/02	£112¼	0.2
Arnotts	415	......
Carrol (P.J.) y	145	–1.4
Hall (R. & H.)	175	......
Helton Hldgs y	74	......
IRG	202	1.0
United Drug	160	–3.0

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	39
Amstrad	5½
Astec (BSR)	5¼
BAT	83
BOC Grp	45
BTR	36
Barclays	49
Blue Circle	19
Boots	23
Bowaters	38
Brit Aerospace	42
British Steel	9
Brit. Telecom	25
Cadburys	27
Charter Cons	40
Comm Union	40
Courtaulds	24
Eurotunnel	60
FKI	7
FNFC	21
Gen Accident	90
GEC	18
Glaxo	56
Grand Met	45
Guardian	19
GKN	33
Hanson	18
Hawker Sidd	55
ICI	85
Ladbroke	25
Legal & Gen	34
Lex Service	26
Lloyds Bank	22
Lucas Inds	52
Marks & Spencer	17
Midland Bk	27
Nat West Bk	29
P & O Dfd	50
Polly Peck	37
Racal Elect	19
RHM	35
Rank Org Ord	68
Reed Intnl	33
STC	20
Sears	9½
SmKl. Beecham A	46
TI	38
TSB	11
Tesco	17
Thorn EMI	61
Trust Houses	22
T&N	17
Unilever	56
Vickers	18
Wellcome	60

Property	
Brit Land	32
Control Secs	5
Land Securities	44
MEPC	44
Mountleigh	14

Oils	
Aviva Petlm	5½
Brit Petroleum	28
Burmah Oil	52
Conroy Petlm	12
Gaelic Res	4½
Premier	10
Shell	37
Tuskar Res	10
Ultramar	31

Mines	
Lonrho	28
RTZ	45

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £1050 per annum for each security.

4pm prices June 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		- A - A - A -								
37½	20¾	AAR	.48	2.3	13	364	21½	21	21¼	
9¾	8	ACM n	1.01	11.		212	9	8⅞	8⅞	+⅛
11⅝	9⅞	ACMIn	1.26	12.		765	10	9⅞	10	
9⅞	7¾	ACM M n	1.01	13.		312	7⅞	7¾	7⅞	+⅛
12¼	10	ACMMM				73	10¼	10⅛	10⅛	-⅛
11½	9⅜	ACM Sc	1.26	13		859	9½	9⅜	9⅜	
9½	8¼	ACMSp	1.01	12		348	8⅜	8¼	8⅜	
23¼	14⅞	AL Lab	.16	.7	21	994	23¼	22⅝	23¼	+⅝
4⅞	3	AMCA	.20e	6.4	9	42	3⅛	3⅛	3⅛	
5⅞	2¼	AM Intl				421	2⅜	2¼	2¼	-⅛
23¼	10¼	AM In pf	2	16		83	12¼	12⅛	12⅛	-⅛
107¼	52½	AMR			12	3646	64¼	63⅛	63⅞	-½
24⅞	22¼	ANR pf	2.12	8.8		115	24	24	24	
4¼	3	ARX				263	3⅜	3¼	3⅜	+⅛
72¼	39½	ASA	3a	6.2		561	48½	48	48⅛	-⅜
74⅞	55¼	AbtLab	1.68	2.2	19	2876	74⅞	73⅞	74⅝	+⅜
37½	27⅝	AbtLb wi				89	u37⅝	37	37⅝	+⅝
16¼	11⅞	Abitibi g	.50			37	13⅛	13⅛	13⅛	
10	8⅛	AcmeC	.40	4.4	11	47	9⅛	8⅞	9	
9⅞	7⅝	AcmeE	.32	3.6	11	22	9	8⅞	8⅞	-⅛
41⅞	28⅜	Acusn			24	377	40¼	39⅝	40	
16½	13⅛	AdaEx	2.06e	13.		44	16⅛	16	16⅛	+⅛
15⅛	9⅛	Adobe				52	12	11⅝	11⅝	-⅛
20¼	17¼	Adob pf	1.84	9.7		39	19	19	19	
21⅝	20⅛	Adob pf	2.40	12		38	20⅜	20¼	20¼	-⅛
11⅛	6⅞	AMD			22	5007	10⅞	10½	10½	-⅛
35	29¼	AMD pf	3	9.5		12	31⅞	31½	31½	-⅜
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 33

NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
33⅞		Questar	1.82	5.4	14	199	35⅞	35¼	35¼	− ¼
11¼		OldRelly	.28a	1.8	13	216	15½	14⅞	15¼	+ ¼
		− R − R − R −								
9⅞		RAC	In1.20a	11.		379	10⅝	10½	10⅝	
7⅞		RAC	.45e	9.9	10	188	4⅝	4½	4⅝	
6⅞		RLI Cp	.40	3.4	7	176	u12⅞	11⅞	11⅞	− ⅝
10½		RMI Ti	n.03e	.2		379	12⅝	12	12½	+ ½
9¼		ROC Fd	.38e	3.2		684	11⅞	11¼	11⅞	+ ¼
6¼		RPC			19	114	8	8	8	− ¼
		[illegible]								
11¼	9½	StaMSe	1.04	11.		6	9¼			
10	7¼	StriBcp	.20	2.5		7	8			
12⅛	8½	StrlCb	1	15.	10	847	6¾			
		[illegible]								
25⅝	18½	SystCt			17	33	21			
		− T − T − T −								
		[illegible]								
		− X − Y − Z −								
65½	45⅞	Xerox	3	6.3		87500	48¼	46⅝	47⅞	+ ⅞
49	44⅝	Xerox	pf4.13	8.9		5	46½	46½	46½	− ⅞
35	21¼	XTRA	.48a	2.0		140	24½	24	24½	+ ½
28⅝	18¾	XTRA	pf1.94	9.6		10	20¼	20¼	20¼	
4¼	2	Zapata				1289	2⅜	2¼	2⅜	+ ⅛
12⅛	6⅝	Zemex				.10	6⅝	6⅝	6⅝	
21⅞	7⅞	ZenithE				734	9⅞	9⅝	9⅝	+ ⅛
21½	13½	ZenNtl	.88	5.8	9	285	15¼	15⅛	15⅛	− ⅛
9⅝	5⅝	Zenix	.90	15.		435	6¼	5⅞	6⅛	+ ⅛
18½	12⅞	Zero s	.40	2.7	14	321	14⅞	14⅞	14⅝	+ ⅛
47⅝	32¾	Zurnin	.76	1.6	20	585	48⅝	46⅝	46⅝	− ⅛
12⅝	10⅝	Zweig	1.21e	10.		323	11⅞	11⅝	11⅝	− ⅛
10	9	ZweigTl	.95	10.		1306	9¼	9⅛	9¼	+ ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4pm prices June 1

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

NASDAQ NATIONAL MARKET

4pm prices June 1

Stock	Div.	Sales 100s	High	Low	Last	Chng
[illegible]						

FINANCIAL TIMES

The Business Column

When IT solutions are the problem

WHEN managers discuss what can go wrong with a newly-installed computer system, the talk usually turns to the horror stories that make newspaper headlines.

There was, for instance, the Paris court computer which was supposed to issue summonses for parking violations, but decided instead to send out allegations of prostitution, living off immoral earnings, burglary and manslaughter.

As embarrassing as these incidents are, they are the sorts of things that people expect computers to do. There are two less spectacular consequences of the introduction of computer systems that worry many managers as much.

The first is that, despite their best intentions, they never really learn how their systems work. The information technology specialists explain, but they cannot appreciate how little ordinary managers know.

Managers promise themselves that they will ask the stupid questions, but most people can only bear to be stupid for so long.

Unexpected results

The second consequence, usually unforeseen, is that when a computer system is introduced there are many unpredictable consequences.

Writing the European Management Journal,* Ian Angell and Steve Smithson of the London School of Economics tell of suppliers whose customers had adopted computerised just-in-time stock control systems. Terrified of being unable to meet the demands of the system, the suppliers stored perishable goods in rusting lorries near the customers' factories.

Another consequence of new computer systems is that the measurements they make possible sometimes end up damaging the business. Systems can measure how quickly staff deal with customers, but not how well they treat them.

Angell and Smithson tell the story of a British building society which decided to measure customer throughput. One customer asked three clerks in different branches the same question. He got three answers, all of them wrong. The clerks appeared to give the first answer that came into their heads, which was not surprising. They were being measured for the speed of the response, not for whether it was correct.

Even employees who start off thinking new systems have made their work easier can end up regretting that they ever laid their hands on a computer keyboard. Many organisations now have system users who suffer from chronic arm and hand injuries. The dangers have been known for some time, but managers dismissed the problem or assumed they would escape it.

'Junk mail'

Other consequences of computer systems are less destructive, but change organisations in ways that managers do not expect. "For example, electronic mail has many benefits, yet it has well-documented negative effects: the danger of reduced social interaction: hours wasted reading 'junk mail,'" the writers say.

Managers have long been told that their job is to manage change. As a result of the introduction of IT systems, many find they are managing crisis instead.

So what is to be done? The first step is for managers to take responsibility for IT systems back from the IT professionals. Consultants and salesmen usually say they want to provide companies with a total IT solution. What they often mean is that they have developed a solution which they would like to throw at your problem.

The whole notion of "IT solutions" should be treated with scepticism. A solution usually means an integrated system, which is what many companies do not need. The greater the level of integration, the greater the size of the potential disaster. Flexible, smaller systems are often a better idea.

Angell and Smithson say, too, that companies believe that IT will reduce their dependence on people. In fact, it increases it. It takes well-trained staff to get the most out of an information system and to know what to do when things go wrong.

*Volume 8, No 1.

Michael Skapinker

MONDAY INTERVIEW

Lantern jaw with stone tablets

Charlton Heston speaks to Nigel Andrews

He is Moses, Ben-Hur and Michelangelo: he is ex-president of the Screen Actors Guild and current president of the American Film Institute. Both as a screen icon and a Hollywood power broker, Charlton Heston is probably the closest thing American cinema has to God.

Living legends seldom measure up when one meets them. "Oh, is this all?" one murmurs as a long-idolised star proves to be five feet six inches tall and knock-kneed. No such alarms with Mr H. When we met in his palatial Hollywood home recently, soon after he had finished shooting two films back to back – Treasure Island and a science-fiction epic called Solar Crisis – he looked about six feet four inches in sports shirt, shorts and tennis shoes. And at age 66, Heston's knees are still those that held firm as he rounded the hairpin in a chariot race 30 years ago.

"I guess I'm associated with brooding authority figures," says the brooding, authoritative voice issuing from the Roman profile. "I've played kings and quarterbacks, cowboys and cardinals. I've even played your Henry VIII."

In a bizarre acting departure, Heston has now donned a parrot and Cornish accent to play "our" Long John Silver. The film, directed by Heston's son Fraser, opens in Britain on June 15. Anglophilia comes easily to this actor: he graced the London stage some years back in A Man For All Seasons. And in a career that must be the most ambassadorial in Hollywood history, he has translated all-American grace-and-beefcake virtues into almost every non-American hero role under the sun.

"It's the most unusual aspect of my career: I think I've played 12 different nationalities. Foreign audiences, thankfully, don't seem to resent it. Italians were happy to have me as Michelangelo, the Spanish as El Cid, the British as General Gordon. And Israeli audiences accepted me as Moses and Ben Hur. In fact Willy Wyler said to me after he'd finished directing Ben Hur, 'After this, Chuck, you are now the industry's leading imitation Jew'," (chuckles).

Today Heston still exercises "brooding authority," but as much off camera as on. He insists he is not about to follow Ronald Reagan or Clint Eastwood into politics: "As an actor I've been President of the USA three times already. I think that's enough for any man." But both as head of the AFI and as a long-time White House familiar, at least during Republican tenures, Heston is happy to lay down the law about movie industry politics. The law according to the right.

Catch him on a vehement day and you are startled at the true-blue opinions winging past you.

On the new trend towards women directors in Hollywood: "Who says we need women directors? We need the best directors. Are you saying we should legislate for quotas? I'm very uneasy about quotas." I have said nothing about quotas. "As Billy Wilder once said about the Unfriendly Ten, only two had talent, the rest were just unfriendly." (The Ten were the blacklisted writers and directors of the 1950s who refused to testify before the McCarthy committee.)

On Mikhail Gorbachev: "Everyone is so bullish about Gorbachev. But that man has now gathered more power to himself than anyone since Stalin."

PERSONAL FILE

1924 Born Evanston, Illinois. Educated Northwestern University, Evanston.
1948 First Broadway appearance in Antony and Cleopatra. Has starred in more than 50 films.
1959 Academy Award for Best Actor, Ben Hur.
1965-71 President of Screen Actors Guild.
1973 Chairman, American Film Institute.
1981- Chairman on Arts, Presidential Task Force on Arts and Humanities.

On not playing wimps: "I've often played sons of bitches, but I've never played a wimp. Jack Lemmon I am not: your lovable wimp. I saw Korda's Henry VIII the other day. Now Charles Laughton is a great actor, but he couldn't play a king. He's kind of wimpy. Also, he couldn't ride a horse."

On being right wing in Hollywood: "It's a lonely battle. There's really only me and Tom Selleck. Hollywood has become 99 per cent left wing over the time I've been in the business."

The trouble with loving cinema, as a group of French critics (Godard, Truffaut and company) once noted, is that many of your screen idols come from the wilder political fringes. It is a difficulty that has to be swallowed. Heston is a star this writer grew up with as the greatest heroic screen presence of his generation.

Today it is hard to separate the demi-god who parted the Red Sea or painted the Sistine Chapel from the man lording it over a mansion on a Hollywood mountain (picture windows overlooking 800 acres of Water Conservation forest) and dealing out commandments on every subject from female film-makers (we disagree) to new screen technology.

Here at least we agree. The devaluation of the big screen experience with the rise of television and video is a pet subject of Heston's: both as a star and as a movie industry seer and overseer.

"People come up to me and say, 'I copied The Ten Commandments on video yesterday.' But I say, 'No, you didn't.' Because it's not the same film. On TV or video, it's lopped and chopped, it has poor resolution and barely acceptable colour and sound.

"Ninety per cent of all the moving images seen in the world today are seen on a TV screen. And I think that's a tragedy. But it's where we are. We're caught in a crack of technology. Techniques are not keeping up with new formats. It is technically feasible to deal with these problems now, but it's not being done. It'll be the next century before we have what we should have now: wall-to-wall TV screens with good sound, good colour."

Heston is even more acerbic about current trends in Hollywood movie-making. He sees a shift away from epic values and multi-dimensional characters towards Readimix cinema.

"The main influence on films today, and it's a negative one, is the cost of making them. Pee Wee's Big Adventure cost more than Ben Hur. We made Ben Hur for \$14.4m. Today it would cost \$122.3m. You can't make films for that kind of money. You couldn't make Lawrence of Arabia today, or The Bridge on the River Kwai. Today a modern comedy with no above-the-line costs – which means major creative talent – will set you back \$15m-\$20m.

"This means directors have to make films that appeal to the broadest possible demographic base just to break even: and even that with help from video sales. So you have a diet of films, usually comedies, based on the 'concept.' A film like Twins, which made over \$100m, has the concept, 'How about Arnold Schwarzenegger and Danny De Vito as twin brothers?' Great! And then you could almost make the film without the script.

"They do still make serious, richly conceived films, like Kenneth Branagh's Henry V. Good for him. I'd like to do Macbeth. But these films are one in 100. The overwhelming bulk of the market today is the concept movie."

Hard times indeed for an actor who learned his craft in the venturesome dawn of live American television. "That was in '48, '49. TV was shunned by established actors back then; they thought it was tacky and it didn't pay well. So there we were, a bunch of unemployed 25-year-olds practically running the medium: Paul Newman, Joanne Woodward, Jimmy Dean, me, Jack Lemmon. In the 15 months I spent as a freelance actor on TV, I did Shaw, Macbeth, Henry James, Turgenev, Jane Eyre . . . I submit, the actor doesn't draw breath who isn't going to be good in one of those parts."

How much influence did the television camera's intimate eye have in later years, when Heston had to find the inner man in a series of larger-than-life heroes?

"It's fashionable for modern actors to talk about getting to the 'inside' of a character. But you can't get to the inside without getting the outside right first. I'm a proponent of Olivier's green umbrella theory. He couldn't think how to play a character in one of his early stage roles. He passed a pawnshop and saw this crinkly green umbrella; and he thought, 'That's just the umbrella this guy would have!'

"I'm the same. I work from the outside in. With the Admiral I play in my new film Solar Crisis, there's a scene where he's working out, exercising. And I said, 'This is a crusty old sonofabitch; he'd still have his old sweat-suit from the naval academy at Annapolis.' And I got them to find a sweat-suit for me and told them to put 'USN' on it for US Navy and wash it 27 times so it looked really old."

There is something of the well-laundered old sweat – no disrespect intended – about Heston. An actor who has been washed umpteen times in heroic roles must start to look different by the end of his life. Does the grandeur of the character rub off on the star?

"It would be ridiculous to pretend that, having played Andrew Jackson or Thomas Jefferson, one assumes his qualities. Would that it were so. But exploring these men is an exciting experience and a humbling one. In these egalitarian times we tend to dismiss the great man. But they exist and they have shaped the world. Thomas Jefferson was probably accurately described as the only genius who ever sat in the White House."

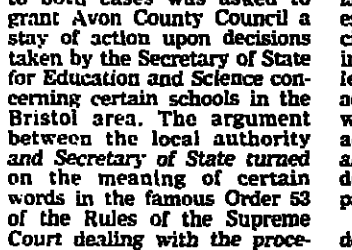
With the world beginning a new decade – and soon a new millennium – I asked the star who once brought the tablets down from Mount Sinai if he had any prophecies for the film industry's future.

"Movies, like life, are impossible to predict. Who would have thought that the Berlin Wall would have been torn down and the chairman of the Soviet Union would be on the brink of saying he's not a communist? There's a lovely joke going around in Moscow which says that glasnost and perestroika will have truly succeeded when on the morning news on Moscow TV the announcer says: 'Comrades'" – Heston assumes a Russian accent – "'the historic and heroic experiment undertaken on the night of October 24-25 has now been concluded. Thank you and good morning ladies and gentlemen.'

"I can't predict what will happen. The technology in film may improve; we may soon have truly three-dimensional film. I'm delighted I'm still around in this business. Still working, still making a living from something I'd do free. But don't tell the producers that."

'We're caught in a crack of technology'

A struggle unfolds over judicial review



JUSTINIAN

An intriguing struggle is unfolding between the courts and executive government over the extent of the former's power to exercise control over administrative actions challenged by way of judicial review. The latest round in the contest has gone to the judiciary, but the war has not by means been won and lost.

A year ago the Court of Appeal, by a majority, boldly decided that the courts could grant injunctive relief to a party challenging a minister's decision on an application for judicial review. In that case the licensing authority established under the Medicines Act 1968 had been proposing to use confidential information, supplied by Smith Kline & French with the company's application for a product licence, in order to evaluate similar applications from rival competitors for licences.

Smith, Kline & French applied, among other reliefs, for an injuction to prevent the licensing authority from making such use of confidential information. While the majority of the Lords Justices declined to grant an interim injunction to the company pending its appeal to the House of Lords against the adverse ruling on the substance of the application for judicial review, they stated positively that the courts did have power to grant injunctive relief against officers of the Crown. Lord Justice Dillon took a contrary view that, while a court might grant a stay of proceedings, it could not grant injunctions against the Crown.

His view prevailed in a later case which went to the House of Lords. But that later case was unconcerned with the issue of a stay of proceedings in judicial review applications. On that score all three Lords Justices agreed that a stay, as distinct from an injunction, was available to the court. That view has now been the subject of another case in the Court of Appeal.

In R v. Secretary of State for Education & Science, ex parte Avon County Council decided on 15 May, the Court of Appeal, with one member only (Lord Justice Taylor) common to both cases was asked to grant Avon County Council a stay of action upon decisions taken by the Secretary of State for Education and Science concerning certain schools in the Bristol area. The argument between the local authority and Secretary of State turned on the meaning of certain words in the famous Order 53 of the Rules of the Supreme Court dealing with the procedural rules for applications for judicial review. That provides that the court may grant a "stay of proceedings" to which the application for judicial review relates until the application is finally determined.

The contest was simply formulated between the contestants. The local authority submitted that the courts' power to grant a stay was expressly given by the rules. The Secretary of State contended that the word "proceedings" related only to court proceedings and could not include decisions made by the Secretary of State, together with any process by which he and his officials had reached such decisions.

The Government was keen to persuade the court that the court's power to grant a stay was akin to an interim injunction, because there is a long, established rule that no injunction can be granted against the Crown, although the judges have deplored this "triumph of logic over justice". But the Court of Appeal was able to circumvent that uncomfortable role by asserting that a stay of proceedings could not, however superficially attractive, be properly described as an injunction. An injunction is an order directed at one party to a piece of litigation; it is not directable to a court or decision-making body such as a minister. An application for judicial review bore similarities to civil proceedings between rival disputants, in which an injunction might be ordered at the instance of one party against that party's opponent.

Proceedings for judicial review are not a legal method for resolving disputes between parties in the field of private law, each party with an interest to pursue or protect. Judicial review is that public law's instrument for determining the legality of governmental actions. It is a challenge to the way in wich a ministerial or administrative decision is arrived at. In no sense is the decision maker an opposing party in some dispute.

An order by the court that a decision by a person or body whose decision is being challenged by judicial review should not take effect until that challenge has finally been determined was properly described as a stay. Until recently the courts had not had to be bothered with ordering stays, probably because a public authority, whose decision was the subject of challenge, could not safely proceed to do anything in furtherance of its decision, in case it should turn out that the order was void and its acts beyond its legal powers, perhaps with consequent liabilities.

Interim suspension of disputed decisions would be virtually automatic. But that may not always be the case. Hence the need for the court to order suspension, even in an animated form, while the challenge to the official decision is determined by the court. Government departments may, however, desire not to have their administrative actions put into a state of suspension. In which case the legal rights and wrongs about the grant of a stay will ramble on.

FINANCIAL TIMES SURVEY

EXPORT FINANCE

Monday, June 4, 1990

In spite of the debt crisis, export credit is still in demand, Peter Montagnon writes. Political ...ange in Eastern Europe has ...ated new trade opportunities, ...ile Western Europe's short-term ...dit insurance industry is ...structuring for the single market

...he barriers ...reak down

... 1992 European single ...et is coming early to the ...it insurance industry. ...ges in Community regula... mean that from the start of ...month European insurance ...anies will be able to write ... commercial risk across ...nal boundaries.

...is will open up the Euro... credit insurance market, ...erto compartmentalised ... national lines, to interna...l competition.

...ongside the search for new ...iques to finance investment ...trade with Eastern Europe ...uncertainty over the future ...of export credit agencies in ...um-term project finance, the ... of the single market on ...-term export credit insur... is one of the main chal...s facing the trade finance ...try at the start of the new ...le.

...Britain, the short-term ...ance division of the Export ...ts Guarantee Department is ... privatised to take advan... of the opportunities raised ...uropean liberalisation. Once ...of government control and ...onstraint to support only ...h exports, it will be able to ...ete in the new and larger ...ean market.

...GD is not the only European insurance concern gearing up for the change. Among the more aggressive continental agencies, NCM of Holland, already a private sector company, is expanding overseas. Hermes of West Germany and Coface of France are doing the same. Market specialists say Bacob, the privately-owned Belgian concern, has also become more aggressive, while OND, the country's official export credit agency, has sought a change in statutes to allow it to enter the pan-European market.

Moving from a market which has previously been defined by national boundaries to one of free international competition is a complex process, however. Only in the UK are brokers really active. Elsewhere, it is difficult to break into markets where relationships between existing national agencies and their customers are deeply entrenched. Opportunities in Italy are even more limited because of the local practice of settling most trade accounts through the factoring market.

Industry executives say a large part of the restructuring so far in the European credit insurance industry has been consolidation along national lines. Thus Coface, which insures French exports, is teaming up with SFAC, which insures domestic exports. Similar alliances are being formed elsewhere.

On the Continent, the industry's initial response has thus been defensive, involving a desire first and foremost to protect national markets from foreign competition, and blurring *the previously sharp distinction* between domestic and export credit insurance. Against this background, liberalisation in the UK looks likely to make it one of the first battlegrounds of international competition.

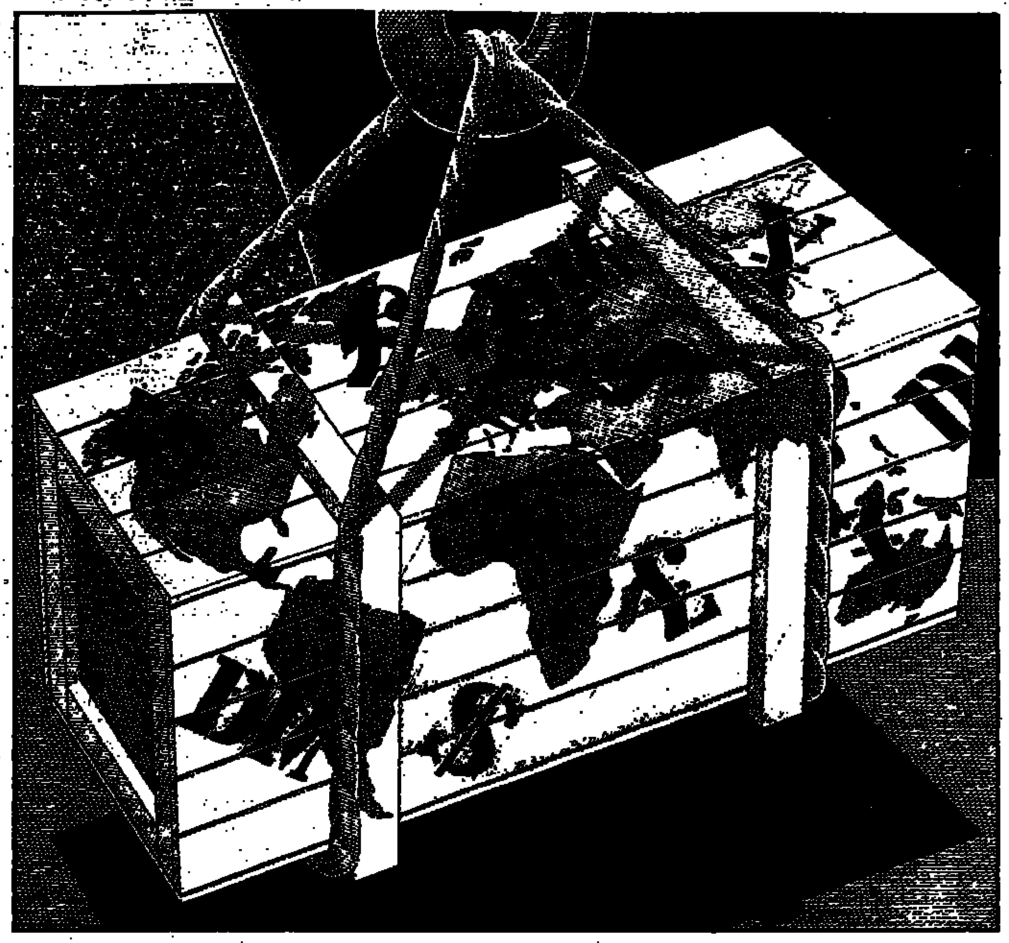
Not only does the presence of an active brokerage industry make the UK more naturally open to competition than markets in continental Europe. Some specialists argue that the privatisation of ECGD will put it at a disadvantage compared to such companies as Hermes and NCM, which, though private, retain strong links with their respective governments.

Trade Indemnity, which dominates the UK domestic credit insurance market, has made no secret of its interest in acquiring ECGD. Mr Richard Duggan, managing director, says the companies together could generate the critical mass to take on the European market and finance the next generation of investment in information technology.

The determined stand of Trade Indemnity has, however, raised questions. On the one hand the Government is reluctant to negotiate with a single favoured bidder following the storm this caused when it sold Rover to British Aerospace. It seems that the Government would prefer ECGD to be privatised as a result of a competitive bidding process.

Particularly in the insurance broking community, there is also concern about the effect of such a merger on competition in the credit insurance industry. Both ECGD and Trade Indemnity offer credit insurance services to exporters, but this competition would disappear if they became one and the same company.

Eventually, many in the industry believe that the number of companies involved in the European market could dwindle as rationalisation takes hold. Among the more vulnerable are companies with small domestic markets. That explains why Holland's NCM and the Belgian companies are becoming so aggressive.



The old-established insurance agencies from larger Community countries are vulnerable in a different way. While their job has been to service the needs of all their country's exporters, paying attention to the requirements of smaller firms, the bulk of their premium income still comes from a limited number of large firms. A foreign competitor which picked off even only a few of these favoured customers could leave the established agencies high and dry in their old traditional markets.

Quite apart from defending themselves against this tactic, one task facing the European industry in the face of these changes is to encourage the market as a whole to grow. It has often been argued that the abolition of barriers to trade within the Community will encourage more trade to flow across national boundaries, raising the need for commercial risk insurance among new and inexperienced exporters.

These, however, are not necessarily the ones which yield the greatest short-term profits. Many multinationals either do not insure their short-term exports, or use captive insurance companies. New transnational insurance companies in Europe are likely to set about trying to win business from such firms.

The ability to operate across borders will allow them to offer whole packages of domestic and export credit insurance. The total European market in credit insurance could grow as a result.

Meanwhile, uncertainty continues to dog the market for medium-term export finance.

Not only are export credit agencies coming under increasing pressure to forgive some of the debts they were saddled with in the wake of the debt crisis. There are also new discussions in the Organisation for Economic Co-operation and Development about reducing the subsidies inherent in official export credit finance. And the European Commission authorities responsible for competition have begun an inquiry into the effect of export credit agencies in subsidising large companies.

The effect of all these changes is likely to make export credit agencies less important in future as vehicles for supporting trade finance, some bankers argue. But there is widespread disagreement about their likely future role and the pattern could vary from country to country.

While Britain is poised to introduce tough new actuarial controls on the ECGD project group, which insures medium and long-term capital goods exports, Japan, Germany and France have been only too willing to restore export credit cover for Poland.

One solution for banks operating in medium-term export credit has been to follow the market, and arrange credits in support of exports from countries whose credit agencies are the most liberal in providing cover. Mr Philip Hills, head of Midland Montagu Trade Finance, says that his bank is placing greater emphasis on continental European business.

The new network of industrial links which has sprung up in recent years in the world capital goods industry is also encouraging this, he says. The alliance between GEC and Alsthom in power generation has introduced an important French link into finance techniques.

Other bankers, such as Mr Colin Berry of Morgan Grenfell, say traditional bread-and- butter export credits are now less important. Increasingly, a broad range of financial engineering techniques is coming into play, in which the secret lies in reapportioning the risk inherent in lending.

Banque Paribas, for example, last year used long-term commodity swaps to help encourage banks into a $210m loan it was arranging for a private sector Mexican copper company. The effect was to dilute the Mexican payments risk and make it more acceptable.

Spreading the lending risk has also entailed a greater emphasis on the role of direct foreign investment, which is expected to play a key role in developing Eastern European economies.

Hitherto low profile government agencies, such as OPIC, the US investment insurance agency, are being revitalised to cope with this. Companies wishing to establish a presence in markets with less than pristine credit standing are often having to take on a share of the risk.

This does not mean that export credit agencies no longer have a role to play. But their role is changing and they will become just one option among many for businesses needing trade finance.

Though Lloyd's, the private insurance market, has started offering banks medium-term policies which it, instead of its borrowers, can administer, the private market remains limited in scope and often cannot offer cover for more than three years.

Government export credit agencies, says one specialist, are in the business of undertaking large lumps of insurance in a small number of markets, without any recourse to reinsurance. This is something the private sector cannot do. There will still be a demand for such insurance, and most governments will continue to provide it, even if many have become more cautious in the wake of the debt crisis.

IN THIS SURVEY

□ *Illustration: Robin MacFarlan*
□ *Editorial production: Gabriel Bowman*

The problems of the export credit agencies

A radical solution may be too grim to contemplate

EIGHT YEARS after Mexico announced a moratorium on its official debt, sparking the global debt crisis, the spectre of sovereign debt still haunts the OECD export credit agencies (ECAs).

Most have chalked up losses from claims sufficient to cause the most poker-faced finance minister to blanch, and the full cost may not be known for several years, given the likelihood of continued rescheduling and unforecastable interest rate movements. That assumes, of course, that there is no mass write-off of debts – and it is a reasonable assumption.

The ECAs' problems derive from a complex amalgam of political and commercial factors. On the one hand, they followed, arguably with abandon, the excesses of the commercial banks in the 1960s and 1970s. On the other, as the tool of government foreign and trade policy, their incautious attitude is more explicable – not that that helps some of them in their relationships with their respective governments.

The political implications of solutions involving write-offs and the withdrawal of cover are considerable for both governments and agencies. But the costs of the debt have risen so that some governments are signalling that they have reached the limit of their loss tolerance and want their agencies to operate on a more commercial basis.

The debate about ECA losses is bound closely to the general debate on the future of official export credit guarantees. Moves, particularly in Europe, to remove the task of export support from central government – as has been seen recently with the more profitable short-term divisions in France, Italy and the UK – have been caused not just by the debt crisis, but also by the high cost of interest rate support (the difference paid out to commercial banks between their costs of borrowing and the fixed rate costs of export credits).

Measures taken so far to limit further damage – such as the removal of cover and limited attempts at refinancing debt to reduce interest rates, for example, through vehicles such as the UK's Guaranteed Export Financing Corporation – have only scratched the surface.

However, the most recent moves, in the form of debt write-offs by Italy and West Germany, for example, and large increases in loan loss provisions – to £4.18bn by the UK's Export Credits Guarantee Department (ECGD) and to $4.8bn by the Export-Import Bank of the US (Eximbank) – have been taken as a sign that the problem is, at last, being addressed. But the write-offs have been small and rare, and Eximbank's provisions, anyway, only on paper, rather than a cash transaction.

Some governments are signalling that they have reached the limit of their loss tolerance and want their agencies to operate on a more commercial basis

Provisioning, however, is not a recognition on the part of the ECAs that their losses will not be recovered – officially, they preserve the fiction that they will be repaid, but, according at least to Eximbank, so far in the future that the value will be severely impaired.

In contrast, the view that the losses are ultimately irrecoverable is being increasingly accepted by government auditors, as well as by commercial banks, which have increased their provisions to levels of 50 per cent and more.

Canada's Export Development Corporation (EDC) which, like Eximbank, is a financing institution as well as an insurer and like Eximbank believes – at least officially – it will be repaid, is currently involved in a *contretemps* with the country's Auditor-General on the matter of loss provisions. The agency has set aside C$375.9m for possible losses, or 40 per cent of the C$936.9m it describes as "non-current" loans: the Auditor believes the figure should be nearer C$900m.

Provisioning is not, however, widespread. Many of the agencies – for example Italy's SACE, France's Coface and West Germany's Hermes – still do not make provisions, due largely to the nature of the agency/government relationship. Hermes, for example, does not have to provision, as its budget is met directly from government funding.

The Export-Import Bank of Japan (Jexim), Japan's official provider of export credits, is a different case again. Only about 10 per cent of Jexim business is accounted for by export credits; the bank's main role now is to disburse about half the funds available under the trade surplus recycling programme, the so-called Nakasone facility.

The bank makes a profit on its total operations, and, despite general loss provisions of about 0.3 per cent of outstanding loans, has not had to make special provisions for trade loss, though it has its share of non-performing assets. But Jexim officials admit that soon even they may have to formulate some policy in response to the debt problem.

The ECAs remain to a degree in the same old trap: that they must at least be seen to guarantee payment in as many markets as possible – hence the apparent trend of the past year to return to cover on many markets – while still grappling with the residual problem of debt provisioning.

They have sought to limit individual exposure through joint funding and insurance – particularly popular with the Nordic agencies – and most recently, some have been making progress on a co-funding scheme with the World Bank. The Bank's Excel (Export Credit Enhanced Leverage) scheme will provide export credits at Consensus rates for private sector borrowers in highly indebted countries, which would previously have been too great a risk for most agencies to cover.

In the UK, the radical restructuring of ECGD is described elsewhere in this survey. From June this year, its long-term Project Division's Portfolio Management System (PMS) will come into effect. PMS will use new actuarial techniques to calculate the percentage risk of loss on a deal, and enable the agency to better balance its risk portfolio.

This, of course, has received a mixed reception from exporters: higher premiums, they argue, could damage their international competitiveness. But, in the absence of an injection of commercial realism into the Project Division, some also realise they may one day be without a guarantee scheme altogether, especially if the UK Treasury has its way.

Regardless of the *ad hoc* mix of measures taken so far, from attempts at fundamental restructuring to limited write-offs and refinancings, there are those pessimists (or realists?) who believe that the problem will finally be solved only by a massive international write-off and refinancing operation. Coupled to this, perhaps, would be an eventual end to officially-guaranteed export finance and its replacement by a system of bilaterally and multilaterally-disbursed government aid on the one hand, and commercial export finance, guaranteed by private insurance on the other.

But even the thought of such fundamental changes may be enough to cause government ministers, civil servants, commercial bankers and exporters nightmares for a long time to come.

Niamh Kenny

The writer is assistant editor, International Trade Finance

BRITAIN'S ECGD

The logic of privatisation

A YEAR from now, the Export Credits Guarantee Department is likely to have been transformed out of all recognition if the Government keeps to the schedule for privatising its short-term credit insurance business which it announced last December.

The plan, announced then by Mr Nicholas Ridley, Trade and Industry Secretary, calls for ECGD's short-term insurance division, based in Cardiff, to be vested as a separate government company by April 1991. Privatisation is set to follow shortly thereafter.

Legislation to provide for these changes does not need to be introduced till late this year, but already ECGD and its advisers, the merchant bank Samuel Montagu, are working on the details.

The decision to privatise ECGD's short-term business is a logical consequence of the opening up of a European-wide credit insurance market in connection with the Community's 1992 single market development.

ECGD's short-term business saw its premiums rise by some 11 per cent to roughly £13.2bn in the year to last April, the industry estimates. Though it will be several months before audited figures are available, premium income is thought to have risen by around 7 per cent to roughly £73m.

With this volume, it is generally accepted that the short-term business can stand on its own feet. But, to reap the full benefits of its investment in information technology and to reach the critical mass needed to prosper in the more competitive market conditions likely in Europe after 1992, ECGD needed to diversify out of its narrow traditional business of insuring only British exports.

Without access to a broader market, ECGD would be unable to compete on equal terms with other European insurance companies, which are already starting to poach its UK business. That meant, however, that it could no longer remain simply a department of government dedicated to the support of British exports. Legislation converting its insurance services division into a separate company was needed to allow it to enter business both in Europe and on the domestic UK market. Privatisation was the obvious solution.

Already both Trade Indemnity, the largest operator in the domestic credit insurance market, and Sun Alliance have publicly expressed an interest in buying the business. Privately, UK and European companies involved in insurance, financial services and exporting have also shown interest, either individually or as part of a potential consortium.

Yet the Government is still some way from deciding the precise route through which ECGD will be privatised. No decision has yet been made on whether this will happen through a stock market flotation or a so-called "trade sale" with competitive bidding from companies or consortia.

What is already clear is that two possible routes are unlikely.

One would be a conventional management buy-out, which is thought to be inappropriate for an insurance company because it would almost certainly involve very high gearing. This does not, however, preclude ECGD's management being involved in the process as part of a consortium.

The other unlikely route would involve the selection by the Government of a single favoured negotiating partner. Such an approach is seen as likely to yield poor value for money especially after the difficulties encountered by the Government in the wake of its sale of the Rover Group to British Aerospace.

By the standards of such privatisations as British Steel and British Airways, where a stock market flotation was an obvious solution, ECGD is relatively small. It is also a highly specialised business which few investors find easy to understand, and one which relies on public perception of high quality shareholder backing in order to survive. Expectations in the industry therefore are that the Government will eventually opt for a trade sale approach.

This would involve the Department of Trade and Industry in selecting a list of pre-qualified bidders who would then compete for the right to purchase the business. Bearing in mind that one objective of the exercise is to help ECGD compete in the single market, bidders would ultimately be judged not only on the price they were willing to pay, but also on the quality of their proposals.

Because some bidders under this approach would also be in the credit insurance industry, ECGD and its advisers will have to look at the competition policy implications. They are likely to remain in close touch with the Office of Fair Trading throughout the process.

A merger of Trade Indemnity and ECGD's insurance group, for example, would dominate the UK market for credit insurance (though the merged company would still face competition in Europe). One way of mitigating that dominance suggested by some analysts would be for the consortium of insurance companies that owns Trade Indemnity to bid separately for ECGD and keep the two entities apart, at least initially.

Trade Indemnity itself argues that there will still be competition at the European level as well as from European companies operating in the UK. Mr Richard Duggan, its managing director, says that if Trade Indemnity did buy ECGD's Cardiff division, it would want to run it together with its own operations. Otherwise, there would be no benefit from economies of scale.

Even when the decision on how to proceed is taken, some technical points – each affecting the price which the ECGD will fetch – remain to be resolved. Until then, nobody concerned is yet prepared even to indicate what the sale is likely to fetch. Among the technical problems are:

- whether the privatised company should retain on its books short-term debt which has been rescheduled, particularly by Nigeria where unrecovered claims could amount to around £600m;
- how far it will reinsure its business. The Government has promised a reinsurance link for political risk for the first three years. Thereafter, it will be up to the privatised company to make its own arrangements. This basic question will bear strongly on its capital structure and its need to build up reserves;
- how to split the support services in areas like computing which currently back up both the short-term insurance division and ECGD's project group, which insures long-term credit for capital goods exports and is to remain a government department;
- the transfer of civil servants to the private sector. This is not as simple as it seems and involves some decisions that could affect the price the Government receives. One concerns the question of who will be responsible for funding the index-linked pensions to which officials in government service are entitled.

Assuming that a trade sale turns out to be the preferred approach, Samuel Montagu is expected to prepare an information memorandum dealing with these questions by the early autumn. This will flush out bidders genuinely interested in buying the company.

One of the most intriguing questions is how the Government would deal with any foreign bidders. According to some experts, this poses a particular reinsurance problem. The UK would be reluctant to let a foreign company avail itself of a UK government political risk reinsurance facility during the transition period. Equally, British exporters might feel themselves at a disadvantage if they were obliged to seek insurance from a European company that traditionally reinsured political risk with its own government.

This would be the case if ECGD were bought by a European agency such as NCM of Holland or Hermes of West Germany. Both companies have been rumoured bidders, though they deny any current interest.

Mr Nigel Bovingdon, managing director of the Credit Insurance Association brokerage house, says: "I see the potential for a conflict of interests unless, of course, an insurance company such as Allianz takes the reinsurance problem off the British Government's hands."

Other experts are more sanguine about reinsurance, which they consider a technical problem. The real test will be to assess whether British would be happy with the final buyer. This, as much as price, will be a major factor in the ultimate decision.

Peter Montagnon

TRADING ACCOUNT for the year ended March 31 1989

	1988-89 £m	1987-88 £m
Premium income	191.1	140.6
Movement on provisions for claims	(769.5)	(212.6)
Administration and trading expenses	(49.2)	(46.5)
Underwriting result	(627.6)	(118.5)
Net interest	107.9	121.0
Result before currency movements	(519.7)	2.5
Foreign exchange adjustment	78.8	(88.3)
Deficit for the year	(440.9)	(85.8)
Cumulative deficit brought forward	(251.7)	(165.9)
Cumulative deficit carried forward	(692.6)	(251.7)

Source: ECGD

Nancy Dunne profiles the Multilateral Investment Guarantee Agency

Easing the path to investment

MIGA, the Multilateral Investment Guarantee Agency, was first conceived 42 years ago within the World Bank group. But it took the 1980s debt crisis, the virtual full stop in commercial bank lending, stagnation in the Third World economies and the Reagan Administration's adherence to the private sector's role in development to bring the agency into existence.

With its 40-member workforce serving 86 countries, the agency is still a tiny newcomer to the World Bank group. Established in April 1988, Miga set out to promote foreign investment – supplementing national investment guarantee schemes and private political risk insurers – with two briefs in hand:

- to provide guarantees against currency transfer, expropriation, war, revolution or civil disturbance and breach of contract risks;
- to offer advisory services to developing members on means of improving their foreign investment climates.

Thus far, the Foreign Investment Advisory Service, which got a head-start 4¼ years ago as a creation of the World Bank's International Finance Corporation, has had more takers than the guarantees. Now a joint venture between Miga and the IFC, FIAS is active this year in 25 countries, where it assists governments to develop investment laws, policies and programmes and institutions which promote and regulate foreign investment.

Miga's advisers have held large promotion seminars, studied impediments to investment, and assisted in restructuring specific projects. FIAS helped China, its first client, draft its joint venture laws and last year was called in again to grapple with a foreign exchange problem.

With its insistence that joint ventures with foreigners earn all the foreign exchanged needed, China had been having difficulty attracting high technology foreign investment. This was particularly onerous for high tech projects which generally are slow to yield exports.

Under FIAS guidance, China agreed to establish an integrated national secondary market in foreign exchange, allowing ventures to buy the exchange it needs at real market value.

Indonesia was set to work on a new mechanism to make land available for plantation agriculture; Togo is creating an investment regime with free trade zones.

Mr Ghassan El-Rifai, vice-president responsible for advisory services, expressed satisfaction with the diversified group of FIAS clients, ranging from Yemen, Egypt and Saudi Arabia to Chile, Senegal and Ghana. Missing from the line-up, however, are the big three of Latin America: Mexico, Brazil and Argentina.

Mr El-Rifai holds out hope that Argentina will join up, bringing in Brazil, but he says the three Latin governments are reluctant to accept the idea of any international arbitration over disputes arising in their countries, a Miga requirement.

Miga announced its first – and thus far, only – completed investment insurance underwriting in January when it signed a $50m contract for Freeport McRoRan Copper, a US firm, against war and breach of contract risks in Indonesia. Applications for guarantees in projects in 32 countries have been received, but two other major proposals – one in Eastern Europe and a Canadian mining project in Chile – are expected to reach fruition in this fiscal year, ending June 30.

The agency will insure up to 90 per cent of an investment up to the current limit of $50m a project. In these early years, officials expect to leverage subscribed capital – now at $760m – to about $1bn. However, Mr Leigh Hollywood, vice-president, guarantees, expects the leverage ratio to reach 3-1 in five years.

"Additionality" has become the operative term at Miga, where guarantees can be written only for new projects or expansions of existing ones. While emphasising investment in the developing countries, the agency is also encouraging investment among all its member countries.

DEBT CONVERSIONS

Chile gets it right

USE of debt-equity 'sions to encourage for- ıvestment has been used widely in Chile probably anywhere else in the

ically, the success of its quity programme – has played a significant n lowering its external nd some role in encour- inward investment – eant that it has almost course. The programme ıelped to reduce the ıt of eligible debt from ı to $5bn since its launch . And much of the $5bn lium and long-term debt ommercial banks cannot led.

way Chile has organised ogramme suggests that onetary creation result- m debt-equity swaps can naged to avoid inflation. hough inflation is rising artly a consequence of a ction boom, the country as the lowest rate in America.

ever, as Mexican offi- xplaining their opposi- debt-equity swaps point 'en if the monetary cre- can be neutralised – h the sale of govern- paper – this elevates t rates. That potentially out other investment. here there are privatisa- – when the monetary n is offset by a shift of from the public to the sector – is there gen- ıgreement that debt- conversions are not ınary.

ıis context, the govern- of Brazil and Argentina, America's largest and argest foreign debtors, ected to use debt-equity extensively in their big sation programmes.

reason many dislike vaps is the subsidy they for foreign investors. programmes in effect h a two-tier exchange ıften criticised by the tional Monetary Fund. linked to the issue of nality – the extent to debt-equity conversions ise investment that have occurred anyway.

question is particularly t in the case of debt- e swaps. Few of these ing actively pursued, gh one of the most is Peru's. That is sur- since Peru has not been ıg its bank debt since Chase Manhattan, for , said it completed 40 r-trade swaps in Peru ear. First Chicago ged some $20m in can- lebt and some cash in ge for textiles, beer, vegetables, frozen fish, nd alpaca, according to 's International Trade newsletter.

of these operations are all amounts and often the combination of e goods – copper, fish- with others that are rketable. However, the swaps in this way for a not servicing its debt the swap of one of its benefits – the saving on a country's debt servicing bill. The danger is therefore greater that the debt-for-goods swap – unless it is accompanied by some cash payment – deprives the country of hard cash without any offsetting benefit.

The use by Chile of debt conversions in project finance has been more sophisticated, however. For example, a $570m cellulose and paper venture, called Celulosa del Pacifico, provides an example of how debt conversions can be used to encourage other inward investment flows.

That suggests Poland could be the centre of debt-equity activity

The venture is a joint effort between Simpsons Paper, a privately-held US company based in Seattle; CMPC, the Chilean pulp and paper concern; and the International Financial Corporation, which has been instrumental in putting together a number of such financings.

The capital for this has been put together like this:

- Equity – $60m provided by CMPC, $60m by Simpsons through a debt-equity swap and $10m from the IFC.
- Cumulative preferred shares – a syndicate of six banks provided $225m of finance through converting of foreign debt. This will initially be in the form of a fixed-rate note for the 30-month construction period. This will then convert into preferred shares paying dividends related to the international price of pulp. This was the largest such conversion in Chile and one of the largest ever effected in Latin America.
- Senior debt – $217m of funds provided by senior lenders, including the IFC, development and export agencies in several countries and commercial banks.

The exercise, which would reduce Chile's foreign debt by about $350m, also provides it with an export-oriented paper project and significant inward investment.

One argument against the use of debt conversions is that they encourage foreign investors to postpone investment decisions until a suitable subsidy arrives. The Chilean experience suggests otherwise. As the Celulosa del Pacifico deal was being put together, so was a $600m financing package for another export-oriented pulp plant in which there was no debt-equity component.

The potential importance of debt-equity conversions from the point of view of capital-importing countries has been heightened by the drying up of balance of payments lending by banks to developing countries. This has increased the emphasis in many countries on putting in place conditions that suit foreign investors. The Brady initiative to lower the debt burdens of highly-indebted developing countries further emphasised the importance of such programmes.

It may be that governments become worried as time goes on about increased dividend repatriations. But the payment of dividends, unlike debt interest payments, at least implies success.

Debt-equity conversions will receive most attention in countries where the price of the debt has fallen to a discount in the secondary market. The less the discount, the smaller the potential advantage to the recipient country and the investor.

In East Europe, that suggests that for now at least that Poland – with the 85 per cent discount to face value on its debt – could be the centre of most such activity if a suitable programme is set up. The debt of Bulgaria and Hungary also trades at a discount, but a much shallower one than Poland's.

However, it is too early to see widespread use of the concept. The problem for many considering any equity investment at this stage is the lack of a legal and accounting framework that recognises property rights and can provide for bankruptcy.

Stephen Fidler
Euromarkets Correspondent

FACTORING

xporters see the light

NG IS beginning to gain e as a means of financ- national trade. It has ard struggle to become d in the face of competi- more traditional meth- xport finance but the g use of factoring in sales has given a boost toring of exports.

'orldwide volume of toring rose by 22 per).83bn in 1989, according s Chain International, main international fac- ganisations. This com- : an 18 per cent rise in vide volume of domestic o $179.2bn.

xporters are the most ic users of export factor- ng out business worth t year, followed by the nans with $2.15bn, the th $1.03bn and the Brit- 80m.

JK increasing competi- area of domestic factor- ng a number of factors broadening the range they offer. Several plan into export factoring. edit agencies are also greater interest with mnity, the British pri- insurer, taking a 50 ake in H&H Factors.

factoring works in a r way to the domestic s a method of financing 's business by using invoices issued to cus- closely monitoring a sales ledger the factor ice funds against an ch a bank manager ider too risky.

tor provides three ser- stly, he can provide cash up to 85 per cent e of his client's invoices with the other 15 per cent – minus the fee and interest charge – paid usually when the customer settles his bill. This means the client need not wait for his customers to settle their bills so he has the money to finance work in progress and new orders.

Secondly, if required, the factor will take over administration of his client's sales ledger, sending out invoices and making sure that bills are paid. Finally, and of great importance in export finance, the factor can assess credit risks and insure clients against the possibility of bad debts.

The cost of these services is likely to be between 0.5 and 3 per cent of the value of invoices for the administration of the sales ledger while cash advances would carry an interest rate of between 1.5 and 3 per cent above bank base rate.

In a domestic factoring contract the factor will provide all the services required himself. Export factoring requires the exporter's factoring company to forge links with a factor in the country for which the goods are destined. It is the local factor's job to investigate the credit rating of the customer, to take payment and to transfer the funds back to the exporter.

The use of a factor allows the exporter to deal on open account terms with his customers abroad. He can offer the terms of trade that the customer expects from domestic suppliers and the customer is spared the need to deal with bills of exchange or letters of credit. The factor can also ease the difficulties of dealing in a foreign language and with unfamiliar local customs and laws.

Charles Batchelor

Jon Marks on the impact of the single market

Catalyst for the short term

THE PLANNED European Single Market of 1992 has been "a catalyst for very radical changes," says Mr Malcolm Stephens, chief executive of the Export Credits Guarantee Department and president of the International Union of Credit & Investment Insurers, usually known as the Berne Union. "From 1992 there is a general expectation, if not presumption, that state credit insurers should play no part in intra-EC trade and short-term finance."

Much of the risk in EC markets is corporate, rather than the sovereign borrowing on which export credit activity is focused outside the OECD area. As governments question whether it is their role to insure corporate risk, they are aligning themselves to differentiate more sharply between the short-term corporate risk prevalent in EC operations and the medium/long-term support needed elsewhere.

In some cases, like Belgium's Office National du Ducroire, this is apparently to be limited to setting up a separate autonomous division to handle short-term cover. In its most radical form, total privatisation is envisaged – a process led by the ECGD, whose Cardiff-based Insurance Services Division is to be privatised. But the ECGD medium/long-term operations will stay under state control in London.

Also helping to shape the market in the run-up to 1992 are private insurers who want a "level playing-field" to compete with the new-look state export credit agencies (ECAs) and, where possible, to take over their business.

The EC's single market implies a radical breaking down of national monopolies in all sectors, export insurance included. For some companies this will happen following the July 1990 directive, although officials say they expect only minor consequences for export finance in Italy, West Germany and other EC member states in which only limited amounts of intra-EC trade are financed by state ECAs. About 50 per cent of the ECGD's short-term business is within the EC, however and Coface, the French insurer, also has significant short-term business, with Italy and West Germany its leading clients for short-term cover.

However, in the run-up to 1992 – and the July 1990 directive on insurance markets – there are conflicting signs. While several agencies have announced plans to reduce short-term commitments and to privatise sectors of their business, there are also reports that such major players as Coface, West Germany's Hermes and the Netherlands' NCM are exploring new markets such as UK corporates to widen the scope of their underwriting operations.

Hermes and NCM are national ECAs but with private

Malcolm Stephens of the ECGD

ownership – a fact which may prompt them to take a more aggressive role in future as they seek to widen their portfolios. Even before the July 1990 directive, these agencies are understood to have approached leading UK companies to discuss future co-operation.

The privatisation of state agencies and the realignment of private insurers in the run-up to 1992 raises the prospect of a significant increase in cross-border holdings in the export insurance sector. Already, one privately-owned ECA which fulfilled a national role – the Insurance Corporation of Ireland – has gone to foreign buyers. After collapsing in 1985, it was sold in 1989 to Assurance Generale de France, a mainly state-owned French company with holdings in Coface and Banque Francaise du Commerce Exterieur.

The single market also involves a harmonisation of business norms and procedures which will not leave the medium/long-term export credit market untouched. European ECAs have developed in their own ways and have distinctive corporate cultures which would not easily come together, as some of the radical European unionists want, into a single EC agency.

In the build-up to 1992 several major questions remain to be answered. What is clear though, is that for many ECAs, and not just ECGD, the time has come to make the most significant decisions on their future for decades.

For example, Italy's SACE, for long a by-word for state control over the export insurance market, is the subject of a major reassessment. Earlier this year it announced that it would pass its short-term insurance responsibilities over to Societa Italiana Assicurazione Crediti (SIAC), a private insurer. So far, this is just a statement of intent. Studies are still under way into various options for the SACE/SIAC tie-up, which include SACE retaining its full commercial risk portfolio as well as SIAC taking over the management of EC short-term risk.

Officials in Rome indicate it is unlikely that any decision will be taken this year, and perhaps not until the advent of the single market itself.

Similar moves are afoot in Portugal, and in Spain where Compania Espanola de Seguro de Credito a la Exportacion (CESCE) is to lose its monopoly of credit insurance even before a new export insurance law is introduced this summer. But it is likely that CESCE will be able to compete with private insurers in sectors from which it was previously excluded.

In France Coface looks set to remain a major tool of government intervention in key overseas markets. However, even Coface is evolving to meet the demands of change in Europe. In January, Coface stopped receiving commercial and political risk guarantees from the Government to support French exporters selling to clients in the EC. This means a further impetus for French exporters to use private insurance as Coface premiums will probably rise.

Profile: **International Finance Corporation**

Umbrella of protection

WITH ANNUAL investment in developing country projects now approaching $2bn a year, the International Finance Corporation is becoming a significant player in project finance.

An arm of the World Bank that was relatively little-known before the debt crisis cut off other sources of funds, the IFC is devoted to financing private sector enterprise. As such, its philosophy is in tune with the emphasis now being placed on private sector funding and ownership for projects in many parts of the world.

"Latin America is full of very clever businessmen who have some very good projects," says Mr Francis Hamilton, IFC's manager in charge of loan syndications.

Its connection with the World Bank means that the IFC can finance some of these projects even though other lenders or investors might look askance because of the country risk. Unlike commercial banks, it also regularly offers equity and fixed rate finance.

The IFC is allowed to finance only 25 per cent of the total costs of any given project and normally makes its contributions in a combination of equity and loan finance. But to add to its leverage, it also syndicates loans with the international commercial banking community.

In its last financial year (to June 1989), its net investments in projects were $1.3bn, but it augmented this through loan syndications, making a total gross commitment of $1.7bn that went to finance projects costing an overall $9.7bn.

The IFC is able to persuade other banks to subscribe to its project loans because, as a member of the World Bank group, it does not reschedule debts. It thus provides its fellow lenders with an umbrella of protection against country risk, enabling them to lend in parts of the world that would otherwise be out of bounds.

Both the banks and the IFC do of course take a commercial risk on the project turning out to be successful. If it fails, they will lose their money.

Because of this, the IFC undertakes a rigorous appraisal of projects with which it becomes involved. Its board can take a long time to approve a project. This can irritate commercial bankers who are used to quick decisions. They sometimes accuse the IFC of being too bureaucratic.

However, the advantage that it brings to the table is security against rescheduling. Recognising this, the Bank of England and the French banking authorities have recently agreed to exempt loans in which the IFC is a participant from the compulsory loan-loss provision requirements normally applied to developing country debt.

This should encourage participations by banks from countries which had tended to look askance at this business. Others, including Luxembourg through which German banks channel international business, the Netherlands, Austria, Sweden, Denmark and Norway also exempt IFC-related loans from provisions as, in effect, does Japan. US banks, which have shied away from cross-border lending since the debt crisis broke are still reluctant participants.

The IFC's imprimatur can also *help bring official export credit* agencies into a project, although its relationship with these institutions is rather more complicated than that with commercial banks. While export credit agencies normally expect to deal with governments, the IFC is not permitted to. The agencies also find themselves caught up in debt reschedulings, which the IFC does not.

The IFC and commercial bank contributions to a given project are normally put together as one package in which all lenders enjoy equal rights, but the contribution guaranteed by export credit agencies therefore has to be assembled at arm's length. Because there is a risk that they might be sucked into a Paris Club rescheduling, they cannot come under the IFC, no-rescheduling umbrella. "If anyone under our umbrella were ever rescheduled, it would be disastrous," says Mr Hamilton.

The IFC expects its business to grow by only some 10 per cent in the current year, he adds, after a period of much more rapid growth. This partly reflects growing constraints on its financial ratios which are set conservatively to help preserve the organisation's triple "A" credit-rating in the international capital markets.

Discussions have, however, already started about a capital increase which will help pave the way for an expansion into Eastern Europe where the IFC expects to play a significant development role. The capital was last increased in 1985, when it was doubled to $1.3bn.

The IFC was one of the early lenders to Poland in the wake of its economic and political reforms, starting with a DM29m loan to Hortex, the agriculture co-operative, in 1988. It is also active in Yugoslavia and Hungary and expects to start business in Bulgaria and Czechoslovakia when these countries join the institution later in the year. Romania, a member of the World Bank, is not a member of the IFC and therefore not eligible to borrow.

Apart from providing an opportunity to develop new business for the IFC, the reforms in Eastern Europe will also help the institution diversify after a period in which much of its funding has been directed to Latin America. Without a capital increase, however, the risk is that it will be able to finance extra projects in Eastern Europe only by diverting funds that would otherwise have been destined for other regions.

Peter Montagnon

Peter Montagnon looks at the international rules on tied aid

New drive on mixed credits

CHANGES TO the international rules governing export credits and tied aid, now under discussion in the Organisation for Economic Co-operation and Development, could dramatically alter the framework under which commercial banks now arrange long-term export credit finance for their customers.

The changes are expected to *lead to a fresh package of rules* around a year from now, but already the likely outlines are clear.

They are expected to include fresh restraints on the practice, prevalent in some industrial countries, of sweetening export credits with aid money to make them more attractive to borrowers, and further cutbacks on the routine interest rate subsidies which may be paid to middle income and poor developing countries.

The talks were launched following the OECD ministerial meeting last year after pressure from the US and Canada. Both countries were worried that previous attempts to curb mixed credits had failed.

However, it is in the traditions of the OECD consensus on export credits that negotiations to correct such a specific problem will inevitably involve a fresh look at the entire spectrum of rules in this area. This has raised the possibility of cuts in the separate interest rate subsidies which may be applied to export credits. Such cuts would pose a new challenge for the commercial banking industry in its efforts to make cheap finance available in support of trade.

Though the final outcome of the OECD talks is still unclear, many bankers believe it is likely to lead to the elimination of routine interest rate subsidies to middle income countries and a severe cutback on those available to poorest countries. In most cases, officially-backed fixed rate finance would be permitted only at market rates of interest as defined by the OECD through its Commercial Interest Reference Rate formula, which is linked to government bond yields.

Subsidies to rich countries were eliminated under the last round of changes agreed in 1987.

There is some disagreement in the banking industry over the potential impact of further limits to subsidies.

Some bankers argue that new techniques in financial engineering, such as interest rate swaps, have already made subsidised export credits not as attractive as they used to be. Export credits come with restrictions, on maturity for example, that have made them less appealing to countries which can borrow freely in international capital markets. It is also harder to use them on the growing number of projects where contractors and *lenders are expected to take* a degree of commercial risk.

Others say that they will need to sharpen their skills in financial engineering to compensate for the loss of subsidy. The perceived role of export credit agencies might also change. The UK, for example, has long argued that the maturity limits on conventional export credits, which run up normally only to 10 years in the case of the poorest countries, should be extended.

If borrowers are paying market rates of interest, they should be allowed to take longer maturities, especially if they are using the funds to finance a project that, in the industrial world, would automatically be financed over a longer period, British officials argue.

It remains to be seen whether the UK will win its argument over this point. US officials say they are willing to consider permitting longer maturities but only if they are not artificially long. It has itself proposed raising the special maturity limit on loans to finance aircraft from 12 to 18 years.

By contrast, countries whose domestic capital markets do not offer very long-term funding tend to oppose the idea, but if it did catch on, the role of the export credit agencies might become much more concerned with extending the maturity of available credit than simply reducing current servicing costs.

Meanwhile, the latest talks have been complicated by a US proposal that tied aid credits should be banned altogether on projects relating to certain specific sectors.

The most frequently cited of these is telecommunications. The World Bank routinely lends for telecommunications development. This is seen as important for poorer countries if they want to link into the global market, attract foreign investment and exploit the natural advantage many of them enjoy in data processing. Yet, though it considers that this is an argument for making untied aid available, the US argues that the use of tied aid credits in telecommunications permits countries with large aid budgets and deep pockets to buy the market.

According to US officials, similar arguments apply in other sectors which they regard as having been "spoiled" for competition by tied aid. These include transport, power generation and parts of the construction industry. It also wants to ban tied aid credits in the steel plant sector because there is a world over-capacity in steel and there is no point in subsidising the creation of additional plant.

However, the European Community's reply to the US sectoral approach was that the EC would also need to include the farm export credits provided by the US Commodity Credit Corporation and which are a staple part of its agricultural export effort.

This caused an impasse, lasting several months, in the talks. The US declined to discuss such a politically sensitive subject in the OECD consensus while broader talks on cutting farm subsidies were also going on in the Uruguay Round of the General Agreement on Tariffs and Trade. The EC said that, if the US insisted on setting the agenda, there was no point in negotiating.

The impasse was broken in March only when the US agreed to "examine" farm credits but not negotiate, but the Community remains reluctant to do more than examine the sectoral proposals of the US.

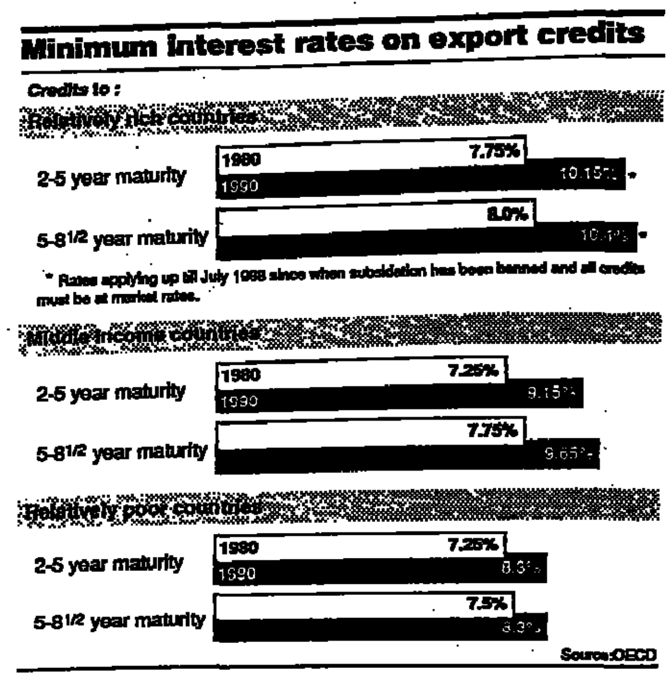
Quite how this problem will finally be resolved remains to be seen, but much will depend on the final outcome of the Uruguay Round talks on agriculture. A strong Gatt agreement to cut farm export subsidies might make the US more willing to bend in the OECD export credit talks. This in turn might lead other countries to agree to specific disciplines in other sectors such as telecommunications.

The one thing which is clear is that there will be no further recourse to the mechanism used in the last package on cutting mixed credits, which was agreed in 1987. This specified that tied aid credits should have a minimum grant element of at least 35 per cent to make them more expensive and force governments to cut back on them.

Though the OECD has only very limited figures to hand, the general view is that this had almost no effect. Offers of mixed credits rose sharply following the agreement and are still running nearly 10 per cent higher than before it was struck. Aid experts say that the aid flows have been diverted away from the very poorest countries towards middle income countries to satisfy the new, more demanding ratios agreed in 1987.

Among other solutions that have been proposed is one which would limit the proportion of a country's overall budget that could be spent on tied aid and graduating some middle income countries out of the group which is eligible for tied aid.

Worried about the risk that tied aid credits might spread to the reforming markets of Eastern Europe, the US is likely to insist, however, that any final agreement is tough. The problem with the other proposals that have been made, its officials say, is that they simply do not go far enough.



Charles Batchelor's advice for small exporters

Risks can be reduced

SHAW Moisture Meters, a *Bradford-based supplier of equipment* for measuring moisture in gases, has been considering an innovative way of increasing its exports to the Soviet Union.

Faced with Soviet shortages of hard currency, Mr David Parker, Shaw's managing director, has weighed up the possibility of selling through his agent in India. The Soviets would pay for the equipment in rupees – of which they have no shortage – while the Indian agent would in turn pay Shaw in sterling.

Shaw may be unusual among small companies – it has sales of £3m and a workforce of 14 – in being prepared to go to these lengths to gain export orders, but winning and getting paid for foreign orders can often require a degree of ingenuity. One small British supplier of food processing and freezing systems has in the past turned to an Austrian bank to finance sales to Eastern Europe when British bankers were reluctant to provide the necessary credits.

The opening up of Eastern Europe may provide new business opportunities for Western companies but at the same time it will place extra demands on their finances and their export administration systems. Obtaining prompt payment from countries which are still struggling to shake off the effects of 45 years of centralised bureaucracies is bound to bring its problems.

At the same time, increasing trade between the members of the European Community as the single European market is established over the next few years will bring with it the need to manage a greater volume of exports.

Pressure may be growing for Britain to join the European Monetary System but for the foreseeable future businessmen will be forced to take account of volatile foreign exchange rates. Managing currency fluctuations is difficult enough for large experienced exporters – large Stock Exchange-listed companies frequently report annual currency losses running into many millions of pounds – and is even more of a headache for the smaller exporter.

Price lists denominated in sterling have been the answer in the past but exporters are increasingly realising that to compete they must quote for business in their prospective customer's currency. There are several ways of protecting against the risks involved:

□ Currency accounts. An *exporter who buys and sells in* the same foreign currency can reduce his exposure to fluctuations by opening a bank account in that currency. Sales can be netted off against purchases, leaving only the balance at risk of adverse currency movements.

□ Forward exchange contracts allow an exporter to fix the rate at which future payments in foreign currency will be converted into sterling. Forward contracts are *relatively simple to arrange,* though a drawback is that the exporter is committed to supplying the currency agreed to the bank. If the export deal is cancelled for any reason, the exporter will have to buy the foreign currency in the market at the going rate.

□ Currency options. These confer the right – but not the obligation – to buy or sell the currency required at a pre-determined rate. Since there is no obligation to exercise the option, the exporter may let it lapse if the deal does not go through or currency rates have moved to allow him to buy or sell the currency more cheaply on the spot market.

Foreign currency transactions have proved to be an extremely lucrative area for the banks which have been accused by some critics of making excessive charges in this area. Banks typically charge a 1 per cent fee for exchanging amounts of up to $10,000 but only 0.1 per cent on larger sums.

Foreign currency cover is a complex area but new exporters are advised to seek competing quotes for deals and to consider using one of the small number of independent foreign exchange consultancies which have sprung up in recent years.

Many businessmen consider that they have completed their work when an order has been signed and the goods shipped. Obtaining payment for the goods is regarded by many as formality. In reality, they should be devoting a great deal of attention to ensuring that they get paid. Overseas buyers may expect even more time to pay than domestic customers though this is not invariably the case. Some exporters report a better payment record from customers in, say, West Germany than they experience with UK customers though other countries, Italy among them, have poorer payment records.

Even when a customer is *prompt in making payment,* the inefficiencies of the transfer system can lead to long delays. These can be avoided by arranging for foreign customers to use Swift (the Society for Worldwide Interbank Financial Telecommunications) to make payments. Transfers are made by computer or telex, reducing the waiting time for the cash to reach the exporter's account to between 24 and 72 hours. Swift transfers must be arranged in advance, however, so that the payment reaches the right account at the right branch.

Exporters have a wide range of possible payment methods at their disposal. They may ask for payment in advance from unfamiliar customers, though few customers like to pay with no guarantee of delivery.

Documentary letters of credit represent a reasonably secure method of arranging payment but great care must be taken to make sure the information on the letter of credit matches that on invoices or other documents. One recent survey showed 60 per cent of letters of credit were returned by banks when first presented because of apparent inconsistencies.

Bills of exchange are similar in principle to a post-dated cheque and are less secure than letters of credit. Open account terms may be used with trusted customers who can be expected to pay by the agreed date. Factoring (see separate article) provides another method of both securing payment and handing a lot of the tiresome detail over to an expert.

Dealing with the paperwork involved in exports is a chore but it is one which needs to be done with care if problems are to be avoided.

Useful reading: Successful Exporting for Small Businesses by David Royce (Letts and The Royal Bank of Scotland, £4.95). The Barclays Guide to International Trade for the Small Business by John Wilson (Blackwell, £5.95).

Margie Lindsay looks at the problems of East-West trade

How to finance the deals

AS THE political barriers between East and West Europe have faded, the invisible barriers – mainly in the form of non-convertible currencies – have become more prominent. Trade between the two halves of Europe is set to increase dramatically in the closing years of this century, but doing business in the region will be fraught with difficulties.

Before the political upheavals of 1989, trading with East Europe was restricted, although some changes had occurred. The twin problems of foreign exchange shortages and non-convertible currencies inhibited trade which, until recently, was conducted as a state monopoly in almost every country in the region.

Foreign trade liberalisation, while creating business opportunities, has also caused new headaches for Western businessmen. Trade was at the best of times a slow and frustrating process, exacerbated by the disintegration of markets in the region as well as a deepening debt crisis in most of the countries. The foreign trade reforms, which many thought would stimulate trade, have all too often led to confusion and disappointment as Eastern companies, ill-prepared to deal with Western financing techniques, marketing arrangements and the realities of international trading, have found it difficult to cope.

Payment problems have surfaced in several countries, not least the Soviet Union, where the foreign trade reforms have led to confusion among both the Western and Soviet business community. Many Soviet companies made commitments to buy goods from the West, but ran short of cash or failed to understand the rules and regulations of the Foreign Trade Bank in Moscow. As a result, the bank tried to instil a bit of financial discipline by withholding some payments. That led to growing insecurity and confusion about the Soviet financial situation.

The uncertainty on the Soviet market has spilled over into Eastern Europe, where financing has also become difficult for many projects and deals. The regional average credit rating for Eastern Europe over the past few months shows a steady decline with almost every country's rating falling by a few points. Almost all the countries have seen a deterioration in their credit ratings and a rise in forfaiting rates.

EAST EUROPEAN RATINGS

Country	Global rank	Credit rating	Six-month change	One-year change
Soviet Union	25	62.1	-2.2	-2.8
East Germany	31	57.1	-1.2	-1.7
Czechoslovakia	36	53.1	-1.0	-0.7
Hungary	42	43.6	-0.9	-0.9
Bulgaria	43	43.1	-2.5	-3.4
Romania	52	33.3	0.7	0.6
Yugoslavia	66	27.1	1.3	0.3
Poland	77	19.0	0.2	0.9
Regional average rating		42.4	-0.7	-0.9
Global average rating		39.0	0.0	0.3

Note: The country-by-country credit ratings are based on information provided by international banks which grade each country every six months on a scale from zero, representing the least creditworthy countries, to 100, for those with least chance of default. East Europe registered the largest change in the regional average ratings in the six months to March 1990 – a decline of 0.7 points. Bulgaria fell the most by 2.5 points, while the Soviet Union dropped 2.2 points. Economic and political uncertainties caused declines in Czechoslovakia (-1.0), Hungary (-0.9) and East Germany (-1.2)   Source: East-West News, Vienna

The situation in the region is expected to get worse. The debt moratorium declared by Bulgaria at the end of March has seriously affected trade with the country as most western companies are unclear about existing credit lines and the possibility of using new ones. Some governments – most notably France,

Getting rid of barter will open up new opportunities

which has come up with a FFr1bn credit line – are trying to tide the country over until the new Government can negotiate a rescheduling agreement with commercial bank creditors. But the damage has been done and it will take some time for the country to regain the enthusiasm of Western businessmen for doing deals there.

In a nutshell, Western traders who want to sell to the region or establish a long-term relation with companies there need to find a way of financing the deals. Countertrade is actively discouraged in many countries or restricted by governments keen to force unreformed industries to restructure.

Any Western approach to the market must be innovative and flexible. The problems are large, but not insurmountable. Joint ventures remain one of the most popular ways of conducting business with the East. In the first quarter of the year there was a marked increase in the number of ventures set up. In Hungary, for example, these ventures concentrated in the small and medium-sized business sector – a departure from previous trends.

While joint ventures are popular, they are usually the result of many years of close co-operation between companies. Those just entering the region will find it easier to set up deals if they include a financing element in the package and offer a bit more than a straight cash sale.

Almost every East European enterprise is looking to develop export markets, but lacks expertise in marketing, advertising, targetting of potential sales opportunities and (in many cases) the technology to produce competitive products. Western businessmen who can help set up buy-back deals and co-productions are welcomed. Licensing is also expected to become more prominent, with the Western partner helping to market the products or agreeing to take some products as part-payment.

One way of financing the transfer of technology is being used by AWT-Bul, a new Austrian-Bulgarian joint venture in Bulgaria. It helps identify Bulgarian enterprises which, with a little new equipment and technology, could produce a saleable item in Western markets. It then finds a suitable Western partner and finances the leasing operation through buy-back of product.

With the debt moratorium, AWT-Bul had to find a way of financing the first leasing payment since no hard currency was available. To do this, it found products which could be sold in the West and put the money into special holding accounts.

Once enough money has been credited to the account, the new equipment needed to start production of an expanded range of goods is shipped to Bulgaria. After paying off the leasing arrangement, AWT-Bul hopes the Bulgarian and Western partners will come to a more long-term arrangement, perhaps expanding into a co-production or joint venture activity.

The demise of Comecon – the East European trading club – may also open up new ways of helping to finance joint projects and trade with East Europe enterprises. From January 1 1991 trade in the region will be on a hard currency basis. Many Western companies are assessing the potential this may bring to East-West trade. Getting rid of the barter system now used between members of Comecon will open up new opportunities for hard currency purchases as well as sales, but so far little detail on the operation under the new conditions has been made public – or decided.

The promise of direct investment in the region – together with the new possibilities opened by privatisation of existing state industries – could offer businessmen another path into the markets. As most countries in the region strive towards the goal of a convertible currency, wise businessmen are looking for ways of establishing business relations in the short term, banking on the long-term profitability of such operations.

While consumer and industrial demand is expected to remain high throughout the region for the next five years, Western investors and businessmen will need to look carefully at market opportunities, choose potential partners with care and have a wary eye out for creditworthiness in the new – and old, but reforming – enterprises. Western banks, still waiting to see what economic reform programmes will be adopted by the mostly new governments, are likely to play a key role in helping to finance the new wave of investment and trade.

With the setting up of investment funds and other sources of new finance, Western companies may be spoiled for choice in options open to them on financing new deals. Nevertheless, they will still have to be cautious, waiting for the political and economic dust to settle over a new East European market.

COUNTERTRADE

Future in doubt

THE MAIN focus of attention among those who are involved in countertrade is the future of this means of facilitating and funding East-West trade.

That reflects not only the changing circumstances in the Eastern Bloc, but also the limited application of countertrade in North-South trade – contrary to the forecasts made by some in the first half of the 1980s that indebted developing countries devoid of hard currency would increasingly utilise countertrade as a means of gearing exports to import payments. It did not happen, largely because developing countries generally decided that anything they could sell on an untied basis for hard cash should not be bartered away in strait-jacketed deals for goods – a policy which proponents of multilateral trade, such as the IMF and Western governments applauded, even if barter brokers did not.

Since the Second World War countertrade has been an ever-ready means of conducting business between East and West. It takes various forms, including barter (goods-for-goods swaps) but, more commonly, counterpurchase, where parallel buy and sell transactions generate trade essentially by Western hard currency-based purchases facilitating East European imports.

This form of trade has, over the years, generated significant bread-and-butter business for traders, especially those few who have been willing to run an open position to make a deal perform, and bankers, who have provided bridging finance to contract advice and escrow account facilities. And, more importantly, it has been the means by which exporters have been able to make sales when, otherwise, straight cash-based transactions would be impossible.

However, both the short and medium-term outlook for East-West countertrade as a means of doing business is now highly uncertain. In the short term this is of significance to exporters and others who have made money utilising the technique. In the longer term, the demise of countertrade will be of little significance for exporters if its disappearance is due to the emergence of some form of Eastern European currency convertibility: indeed this would obviously be a much more efficient way of doing business for exporters on both sides of the rusted Curtain.

Mr Daniel Nash, who earlier this year was appointed head, special projects at bankers Singer & Friedlander, is more positive than some about countertrade's future role. Surveying the region's economic outlook, he says: "Eastern Europe will have to resort to a host of innovative alternatives – countertrade is one of them." Meanwhile, a London-based trader, while admitting a number of deals are continuing to perform involving such commodities as crude oil, coal and coke, has a stark message for any companies reliant on East-West countertrade. In the current climate, "it will kill you and bankrupt you."

The key problem centres on the absence of sovereign backing – always there in the old days of central control, but now increasingly conspicuous by its absence as the Eastern European economies re-organise, driving towards privatisation and the removal of state trading.

While this state of re-organisational chaos persists, one story currently doing the rounds is probably apocryphal. A company cut a deal to import a certain chemical from an East European foreign trade organisation (FTO). However, the FTO could not deliver because its supplier, enjoying its new freedom to trade directly itself, had done just that with the chemical in question. In the old days of tight state control, that would not have happened.

But aside from the organisational pitfalls, there is the question of assessing the commercial risks attached to trading on a countertrade or any other basis with newly privatised entities or organisations which, though still in the state sector, are allowed to manage their own affairs.

In this climate Mr Nash maintains business can be done by the "proper management of transactions." He argues that "risks can be minimised." Others are not so sure.

Alan Spence

The writer is Editor of International Trade Finance, a fortnightly report published by Financial Times Business Information Ltd.

FORFAITING

Recovery may be on way

THE PROVISION of non-recourse, fixed interest rate finance – forfaiting's hallmark – is scarcely an occupation for the faint-hearted in today's risk-laden interest rate and general trading climate. Looked at from the exporter's point of view, however, it can, if available for the required markets at costs which are not prohibitive, be among the most attractive choices available on the current trade and project finance option menu.

The problems faced by the forfaiters themselves were underlined earlier this year by the London Forfaiting Company's announced loss of £8.8m in 1989, compared with a profit of £20m in 1988. This centrally reflected high Deutschemark interest rates and uncertain trading conditions in the wake of the collapse of communism in Eastern Europe.

The situation for LFC, however, is not as unfavourable as the loss might suggest. To begin with, it comprised a first half 1989 deficit of £6.5m, which fell during the second half to £2.3m. Moreover, to date in 1990, it is thought that the company is trading profitably.

Hedging interest rate exposure is one policy which has aided the turnaround, but the return to profitability is largely thought to reflect LFC's decision increasingly to turn over its book in the secondary market, while at the same time reducing the overall size of its forfaiting assets. During 1989 these declined to £191m from £387m and cash holdings rose to around £280m from £35m.

According to Mr Stathis Papoutes, its director, LFC "does not want a huge portfolio." Substantial portions of primary deals are being sold on to the secondary market within two to three weeks of consummation. Not only does this generate trading income, but it also leaves spare capacity on LFC's book to bring in new deals.

At Hungarian International Bank, which with Midland Bank Aval and LFC, forms forfaiting's "Big Three", traditional forfaiting is being combined with fixed interest "with recourse" pre-shipment finance designed to help deflect the impact of funding the manufacturing process. In harness with the post-shipment fixed rate *à forfait* funding, the package involves pre-shipment finance against a letter of credit with the forwarded funds deducted from post-shipment payments. However, HIB is also willing to operate its pre-shipment funding, which can involve taking a charge on the benefit of the exporter's contract to guard against non-delivery default, on a stand-alone basis.

Although the Soviet Union and East European countries seem unlikely to generate substantial, acceptable business in the short to medium term, forfaiters are quoting and cutting deals in a wide variety of countries. Midland Bank Aval, for instance, recently completed a $110m, four-year Airbus financing for Thailand and a $27m three-year funding for Kenya for a roll-on-roll-off vessel.

Although traditionally associated with major project business, forfaiting is also these days used to fund short-term trade deals. One forfaiting house, for example, recently funded US oil shipments to Poland for periods up to six months.

Undoubtedly, times have been easier for forfaiters, but there is genuine confidence that their fortunes are set to make a significant recovery. LFC's Mr Papoutes attributes this to a cluster of factors: higher margins due to difficult trading conditions, less competition among forfaiters (some operators linked, for example, to bank operations have pulled out or run down operations), a considerable and varied source of forfait business and a greater level of imperfection in the market stemming from different risk perceptions.

And the existence of a healthy forfait sector can only be good news for exporters seeking up to 100 per cent, non-recourse finance – at the right price.

Alan Spence